

A REVIEW OF THE DEPARTMENT OF EDUCATION AND STUDENT ACHIEVEMENT

HEARING

BEFORE THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
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WEDNESDAY, SEPTEMBER 30, 2015

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 9:35 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Ron Johnson, Chairman of the Committee, presiding.

Present: Senators Johnson, Lankford, Ayotte, Ernst, Sasse, Carper, McCaskill, and Peters.

OPENING STATEMENT OF CHAIRMAN JOHNSON

Chairman JOHNSON. Good morning. This hearing is called to order. I want to thank the witnesses for appearing today and taking the time to come here as well as for taking the time to prepare some very thoughtful testimony.

The concept of this hearing really is the first in a series of what I would like this Committee to do, which is basically take a look at all the departments of the government, very similar to the way a business looks at the different divisions or departments, and kind of basically do a budget review process, laying out this is how much this department has spent since its inception, or we will figure out a particular timeframe; what are the stated goals of the department or agency; what are the metrics that prove whether those goals have been met; and then, finally, what are some of the intended or unintended consequences of department actions. So we are going to try and attempt to do that today for the Department of Education (ED).

I will say that over the last couple of weeks, as we prepared for this hearing, it was frustrating trying to get the information. For example, I kept asking my staff, because I saw a graph that showed student loan debt at about \$95 billion about 20 years ago, growing to about \$1.3 trillion, but the only graph we could come up with reliable information only had about 10 years' worth of data from about some \$300 billion up to about 1.15. And we did find out from the Federal Reserve Bank (FRB) of New York that they get the data, but they get it from the Department of Education. They do not view it as reliable information. It is frustrating to actually get uniform information on some of the questions I was asking.

Just to kind of run through the basic facts, since 1980, when the Department was established, it spent about \$1.5 trillion of taxpayer money. Divided by 35 years, that is an average of about \$43

billion per year. In fiscal year (FY) 2015, the appropriated amount of money was about \$87 billion. I think the question that this Committee is asking and that I think taxpayers need to ask, the American taxpayers, is: Are we getting our money's worth out of it?

The metrics we ought to be looking at is what has happened since 1980 in terms of test scores. Have we improved the performance in K-12 and postsecondary education? We will take a look at those. If there has been improvements, it has been pretty negligible.

The other important metric is how good are we at through our education system matching educational outcomes to the requirements of employers and really to societal needs. Are we doing a good job preparing our children for the job market and for other societal functions? Evidence proves that there is an awful lot of problems in terms of that.

I was really involved in Oshkosh, before I became a U.S. Senator, not only as a manufacturer but volunteering in the education system in Oshkosh. One of the things we did within the Catholic school system was initiate a program we called the "Academic Excellence Initiative." And the tag line of it was: "How do you teach more? How do you teach better? How do you teach easier?" So more, better, easier. Basically educational productivity.

I remember at the time—quite a few years ago—I typed into my Yahoo! search "educational productivity," and I got zero results. I do not think I misspelled it. But it is a concept that is—certainly productivity—it is table stakes in terms of the private sector and business. You have to improve productivity if you are going to succeed in education. It is really not something that people think about a whole lot, unfortunately, and that is part of the problem.

I was part of the focus group for the Oshkosh area school district, and they were going through their budget, and I was, kind of the skunk in the room as they were talking about how it costs about \$10,000 per student, and they were just coming under all kinds of pressure, which I understand. It is not an easy task. But I just asked the question, "Well, if you give me \$10,000 and give me 20 students, that is \$200,000. I think as a business guy I could do a pretty good job of educating 20 kids for two hundred grand."

Now, that is only \$10,000. I think the national average for K-12 is higher than that. We see some jurisdictions—Baltimore, Washington, D.C., I think it is closer to \$25,000. So \$25,000 times 20 students, that is half a million dollars. Are we getting our money's worth?

Now, that is not all, Federal money. Most of that is State and local. I think those are the kind of questions we have to ask, those common-sense—this is what we are spending. What kind of output are we getting?

College, by the way—and, again, it depends on what you are looking at. For ease of math, let us take \$20,000 per year, cost of college, times 20 students. That is \$400,000. Again, give me 20 kids, \$400,000, I think I can give them a first-class education.

So that is a key question we have to ask: Are we getting the bang for the buck? We are spending an enormous amount on education, and I am not convinced that we are getting the proper results.

One question I have, as I started looking into this, is, the cost of college has exploded. Depending on what numbers you look at, somewhere since the mid-1960s to 1970s, the cost of college has increased somewhere between 2.5 and 2.8 times the rate of inflation. Now, think of that. What is different about what colleges and universities spend their money on that their costs—tuition, room, board—would increase 2.5 to 2.8 times the rate of inflation? That is a legitimate question to ask.

Then my final question is: Student debt has exploded in this country. Again, I started out, about \$95 billion, \$100 billion 20 years ago, now about \$1.3 trillion in total. About 7 percent of our national debt. Now, is that a good thing, \$1.3 trillion? And why is that? How is that related to the explosion in the cost of college.

We have some pretty good witnesses here that will address that, and the second panel with the representative from the Department of Education. Hopefully we can get some answers to those questions, or at least point us in the direction for where we need to ask additional questions and get some additional data.

With that, I will turn it over to our Ranking Member, Senator Carper.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Thanks, Mr. Chairman.

To our witnesses, welcome. For those of you who came all the way from Athens, Ohio, a special warm welcome. That comes from a Buckeye, an Ohio State guy. Happy to see you, Dr. Vedder. George Voinovich, one of our former colleagues, former Governor of Ohio, spends a fair amount of his time there. I think he was an undergraduate and went to law school at Ohio State. But he is one of our favorites here. We miss him every day. But it is great to see you. We welcome you warmly.

Mr. Carey, I do not think we have met before, but we are happy you are here and very much look forward to your testimony, as well as that on our second panel of Ted Mitchell, Under Secretary of the U.S. Department of Education.

As it turns out, these are issues that I am hugely interested in. I said to our Chairman, we have a working group working on international tax reform in the Finance Committee that I am a part of, and we are meeting literally at the same time. And I want to be here, and I want to be there. We have not figured out how to do cloning yet, and when we do, I will be able to be in two places at once. But I will be in and out, and it is not because I am not interested, but it is trying to do—and we are all busy, so it is trying to do that.

Let me just say that the role of government is diverse. We are responsible for any number of things—homeland security, defense around the world—any number of things—the environment and so forth.

One of the things that we are responsible for is creating a nurturing environment for job creation and job preservation. A nurturing environment for job creation and job preservation.

I was born in West Virginia. My grandfathers made their living off the strength of their backs. My sister and I and our siblings make a living more out of the strengths of our minds. We do man-

ual labor sometimes, but not like my grandfather, my grandparents did. And it is important that we have strong minds and that we start early on.

I like to focus on what works and do more of that. I was privileged to be Governor of Delaware for 8 years and Chairman of the National Governors Association (NGA). I also chaired something in the NGA called the "Center for Best Practices," and what we focused on was find out what works and do more of that. And among the things we found out what works in raising student achievement is making sure that parents understand and are prepared to be parents and to be a partner with their sons' and daughters' teachers and educators. We focused on early childhood development, very early childhood, 2, 3, 4, 5 years of age, fully funded Head Start. George Voinovich and I were the first Governors to fully fund Head Start in our States using State money to supplement the Federal money, which was inadequate.

Another key is having teachers who are good at what they do, know their subjects, love kids, love to teach, and that is critically important, and the way we train them and prepare them to work in any wide range of classrooms and schools and different kind of demographics.

Another key is enlightened, capable school leadership. You show me a school that has a lousy principal, and I will show you a school that is not going to do too well. Show me a school that has a great principal, and I will show you a school that is on the way up. And the same is true of other school leaders within school districts.

I think another key is having rigorous academic standards, what we expect kids to know and be able to do. And we are not smart enough—as smart as my colleagues and I are, we are not smart enough to figure out what kids ought to know and be able to do. But in our State, we just reached out to the private sector and we reached out to colleges and universities and said, "What should kids know and be able to do in math and science and English and social studies?" And we urged and encouraged our schools to align the curriculum with the academic subjects and then measure progress from time to time.

I believe extra learning time is critically important. Senator Lankford over here, from Oklahoma, Senator Lankford may be able to learn faster than I am. I can still learn. I just might need more time. So what we do is in my State we try to provide extra learning time for those of us who need that extra time.

There is any number of ways to raise student achievement, and those are some of them.

I just want to say on the postsecondary side there is a lot we could talk about there. It has changed a lot. When I was a naval flight officer (NFO), my squadron's home station was near Menlo Park, California, Moffett Field Naval Air Station, when we were not overseas. And I think the tuition at the University of California colleges was free. It was essentially free in the late 1960s, early 1970s. That has changed enormously. Our youngest boy grew up in public schools in Delaware, but he went to William and Mary, a public school in Virginia, and we paid—I do not know—\$45,000 a year to help send him there. The State support dried up in Virginia and States across the country. And one of the reasons why the

Feds have stepped in to help a little bit is because the States have really drawn back.

The other thing, I think we are starting to witness a sea change in the way we teach postsecondary, and a lot of that involves the Internet and distance learning. Some of it is done very well; some of it is not done well at all. And what we have to do is we go through this period of time to figure out what works and do more of that.

The last thing I will say is this: I spent 23 years of my life, 5 on active duty in a hot war in Southeast Asia, another 18 right up to the end of the cold war as a naval flight officer. And my dad, my parents, my grandparents, they were like World War II vets and Korean War veterans and so forth. In 1952, we found that the GI bill was being squandered in some cases with money that went to enroll people in for-profit colleges or postsecondary training. We created a law that was called "85-15," and the law that at least 15 percent of those enrolled under the GI bill at for-profit schools had to be non-veterans. If the school could not attract at least 15 percent of their students from non-veteran sources, they were not going to get the GI bill students.

We changed that in 1992, and we changed it from enrollees to the standard of revenue, so that at least 15 percent of a school's revenues had to be from non-Federal sources. But it was only Title IV stuff. Only Title IV stuff. And now what happens is we have for-profit colleges and universities where 100 percent of the revenues—100 percent of the revenues—are coming from the Federal Government. That is not a good situation. It is something that we need to change, and my hope is that we will.

I could go a lot longer, but my time has expired, and I thank you for your patience. Thanks and welcome again.

Chairman JOHNSON. Thank you, Senator Carper.

It is the tradition of this Committee to swear in witnesses, so if you would both rise and raise your right hand? Do you swear the testimony you will give before this Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Dr. VEDDER. Yes.

Mr. CAREY. Yes.

Chairman JOHNSON. Please be seated.

Our first witness is Dr. Richard Vedder. Dr. Vedder is the Edwin and Ruth Kennedy Distinguished Professor of Economics at Ohio University, an adjunct scholar at the American Enterprise Institute, and Director of the Center for College Affordability and Productivity. I like that word. He has written several books and over 200 articles on economics and public policy. Dr. Vedder.

**TESTIMONY OF RICHARD K. VEDDER, PH.D.,¹ DIRECTOR,
CENTER FOR COLLEGE AFFORDABILITY AND PRODUCTIVITY**

Dr. VEDDER. Thank you, Chairman Johnson and Members of the Committee. My oral remarks, by the way, today are extended in a statement that I submitted for the record.

In assessing the impact of the Department of Education on universities, I think some historical perspective is in order. Looking at higher education from 1950 to 1980, before we had a higher education department, enrollment quintupled, going from 2.4 million to 12 million. Whereas, in 1950, barely 6 percent of Americans over 25 had at least 4 years of college, by 1980 that proportion had nearly tripled to 17 percent.

College ceased to be mainly for the elite well before we had a Department of Education or massive Federal student loan and grant programs. Indeed, the rise in the proportion of adult college graduates is by some measures even less today in the era of the Department of Education than in the preceding period.

Or look at research. From 1972 to 1979, right before the Education Department was created, 40 percent of the Nobel Prizes awarded were to Americans or persons associated with American universities. Americans dominated the world of research long before the Department of Education existed.

So what are the unique strengths of American higher education? The 50 States have pursued different approaches to educational excellence, and the diversity of choices has made American universities I think more creative and competitive.

California, for example, pioneered an extraordinarily comprehensive three-tiered system, the elite research-oriented University of California that Senator Carper talked about just a minute ago, an affordable State university system and many junior colleges.

By contrast, New Hampshire, with lower taxes and a rich tradition of private education, also has a high proportion of college graduates, but with an altogether different but still effective approach.

I think this contrasts somewhat with the blandness of much of European higher education where centralized ministries of education stifle diversity and intercollegiate competition. Our Department of Education's quest for uniformity inevitably, I think, dilutes somewhat the diversity our Federal system provides.

While America still maintains its research dominance and the abundance of foreign students suggests we still have a superb international reputation, there are many disturbing signs. Let me mention six.

First, in the 40 years prior to the Department's creation, American tuition fees, adjusting for inflation, rose roughly one percent a year. In the last 35 years, the rate of tuition increase has more than doubled, to about 3 percent a year. I think this is largely a function of a dysfunctional Federal student financial assistance program.

Second, a smaller proportion of recent college graduates are coming from the bottom quartile of the income distribution now than at the time of the creation of the Department of Education.

¹ The prepared statement of Dr. Vedder appears in the Appendix on page 53.

Third, studies by Arum and Roksa and others suggest graduating seniors today have only slightly better critical reading and writing skills than freshmen, but get far higher grades than in the era before the Department of Education. I am in my 51st year of teaching, by the way, at a university. Literacy of college graduates is declining by some measures. Students spend less than 30 hours a week on their studies compared with 40 hours around 1950.

Fourth, the accreditation system overseen by the Department is a disaster. It provides almost no useful information to consumers, does little to eliminate poor-quality schools. Accreditation promotes anticompetitive behavior, increases barriers to useful innovation, and is rife with conflicts of interest.

Fifth, some regulatory efforts of the Department are intrusive and sometimes even violate basic American principles of due process. The Department's Office for Civil Rights Regulation on the college handling of sexual harassment cases, for example, has almost certainly led to unjust Kafka-esque treatment of some of the accused, resulting in condemnation from persons from all over the political spectrum, from the Harvard law faculty, for example. The Free Application for Federal Student Aid (FAFSA) form required for student aid is byzantine in its complexity, keeping many low-income persons from even seeking financial assistance.

Sixth, not only do over 40 percent of those entering college not graduate within 6 years, nearly half of the graduates become underemployed, taking jobs historically filled by high school graduates, the point that Senator Johnson alluded to in his opening remarks.

Thus, I doubt on the whole that the Department of Education has improved the American higher education environment. In 1979, the bill creating the Department cleared the House Education Committee on a 20–19 vote and was opposed not only by most Republicans and seven Democrats on that Committee, but also by the New York Times, the Washington Post, the AFL–CIO, and leading Democratic intellectuals like Senator Daniel Patrick Moynihan. The modern history of higher education suggests to me that this opposition was probably largely justified.

In conclusion, the data has been mentioned informally and formally as a problem. One service the Department should provide is good information to students and policymakers. Even here it has often floundered, only recently finally issuing its College Scorecard—which I like very much, by the way—but which left out, some colleges—even left out colleges like Hillsdale, Grove City, Patrick Henry, and Christendom. And we have several other problems associated. Pell grant data, I have challenged the Department for years to tell us what percentage of college graduates on Pell grants graduate in 6 years, and they have had data problems. But, in short, the overall record in my mind is somewhat mediocre.

Thank you very much.

Chairman JOHNSON. Thank you, Dr. Vedder.

Our next witness is Kevin Carey. Mr. Carey directs the Education Policy Program at the New America Foundation here in Washington, D.C. He is a contributing writer for The Chronicle of Higher Education and edits the annual Washington Monthly College Guide. Mr. Carey.

**TESTIMONY OF KEVIN CAREY,¹ DIRECTOR, EDUCATION
POLICY PROGRAM, NEW AMERICA**

Mr. CAREY. Thank you, Chairman Johnson, Ranking Member Carper, and Members of the Committee, on behalf of New America.

Why has college become so expensive? Unlike Dr. Vedder, I would not put primary blame on the existence or actions of the U.S. Department of Education. Certainly over the last 8 to 10 years, much of the expense of higher education has been driven by disinvestment at the State level. States have reacted to the 2008 recession. They have disproportionately cut funding for public universities, and many public universities have increased tuition as a result.

I do acknowledge, however, that is an incomplete answer to this question. It does not take into account increasing prices among private colleges, and it is the case that over the long term, colleges have increased tuition in good times, in bad times, and more or less all times in between. And in the end, I think they did that mostly because they wanted to and because they were able to.

It is not a mystery why colleges would want to raise tuition. All institutions like to have more money. The real question is why were they able to. Why were colleges able to increase tuition at the rate that Dr. Vedder described? And I think we could just start with some basic math.

If we go back to 1972, which was really the founding of the modern system of Federal financial aid, there were roughly 1,400 public 2- and 4-year colleges in the United States, and there were about 9 million college students.

Since then, we have increased the number of public colleges by about 11 percent and increased the number of students by 111 percent. So we have many more students competing for spots in the same number of institutions, at the same time that we have experienced seismic changes in the nature of the American labor market. The blue-collar economy collapsed in many regions. So even as population increased, more students were driven into higher education, but we had only the same number of institutions in order to educate them. So supply and demand, much more demand for a service that became much more valuable, and the same number of institutions giving them much more pricing power in the higher education market.

A good question is: Why didn't new institutions spring up to meet that demand? I agree with Dr. Vedder that accreditation has a lot to do with that. To legally offer college degrees and receive Federal financial aid, colleges must have accreditation. The accreditation process is managed by associations of existing colleges. Standards for accreditation are based on how existing colleges operate—the kinds of people they hire, the degrees they offer, the way they manage their libraries, departments, and programs.

Accreditation defines away the possibility of radical innovation and productivity increases in higher education. Imagine if, back in 2007, the Apple corporation had to get permission from a trade association of existing mobile phone manufacturers in order to sell the iPhone. That is how higher education works today.

¹The prepared statement of Mr. Carey appears in the Appendix on page 65.

Colleges are also subject to little or no market discipline when it comes to their core mission of teaching undergraduates. There is very little information about how much students learn at individual colleges, and as a result, the market for higher education is not driven by the basic value proposition of benefits weighed against costs.

Instead, colleges compete with one another for status, based on expensive things that have little to do with student learning, such as intercollegiate athletics, research prowess, Olympic-caliber gymnasiums, and luxury dormitories.

College administrators do not sit down every year and determine how much it costs to provide students with a high-quality education and set tuition accordingly. Instead, they sit down every year and determine the largest tuition increase that the private market and the political economy can bear and then charge that much and spend the money on the things they care about. And, increasingly, it seems the things that they care about are themselves. The ranks of college administration have grown over time. The ratio of administrators to students has increased, at the same time that the percentage of classes taught by tenured professors has declined. Many more classes are taught by adjunct professors now, not tenured professors.

Higher education has also, uniquely among major information-centered industries, avoided almost entirely the disruptive pressures of information technology (IT). Today, most colleges offer some form of hybrid or fully online classes, and millions of students are enrolled. Yet colleges charge the same tuition for these classes as for in-person classes, even though online classes are much less expensive to provide at scale.

What, if anything, can the U.S. Congress do about this?

I think many Federal lawmakers are appropriately cautious about interfering with an industry that has long been seen as a global leader and which has traditionally been the responsibility of State governments and private markets.

However, I would argue there are some important things that only the Federal Government can do. And now that the U.S. Department of Education is the single biggest financier of higher education, providing \$165 billion a year in grants and Federal loans, the question is really not whether there will be a strong Federal role in higher education. There is one. The question is whether that role will continue to be limited to providing blank checks to organizations that are steadily pricing the middle class out of higher education, and thus the American dream.

The Federal Government should not tell colleges how to teach. It can, however, expand the definition of who gets to be a college and help consumers make better choices about which colleges to attend.

Yet during the last reauthorization of the Higher Education Act, in 2008, language was included at the behest of industry lobbyists that actually prevents the U.S. Department of Education from modernizing its information system and providing information to students who are most likely to move among different colleges during their careers. This shields colleges from accountability, and I believe that provision should be repealed.

The Federal Government should also expand its longstanding commitment to university-based research to include more research about universities. We spend billions of dollars to develop cutting-edge technologies and virtually nothing to evaluate the effectiveness of a hugely subsidized industry that is crucial to our Nation's future economic and civic prosperity.

Finally, we should create more room for higher education innovation by allowing entrepreneurs to compete on a level financial playing field with established colleges. In the long run, the higher education cost problem cannot be solved with price controls and public subsidies alone. We also need greater productivity—I also like that word—through the creation of new organizations built from the ground up with the growing capacities of information technology in mind.

That does not mean ignoring consumer protection. Many students have been defrauded by organizations in recent years. But this is really not a matter of too much regulation or too little regulation but the wrong kind of regulation. All of the worst colleges were operating inside of the accreditation system and taking advantage of that system's inattention to student learning.

Instead, the Federal Government should experiment with giving public, nonprofit, and for-profit organizations that may look nothing like traditional colleges equal access to Federal funds, in exchange for being held rigorously accountable for outcomes defined not by government bureaucrats but by employers and members of the academy.

Without such changes, colleges will continue to increase tuition, because they want to, and because they can.

Chairman JOHNSON. Thank you, Mr. Carey. Let me go right to you. You opened up talking about the reduction in State support of public institutions, which, no doubt about it, that contributes. Do you have a dollar figure on that in terms of how much has been withdrawn? Because that does not affect—and I think your testimony stated this, too. It does not affect the tuition rise in private institutions, correct?

Mr. CAREY. So there was a substantial disinvestment—I would like to go back and give you the exact numbers. There was an absolute decline in funding in the years after the recession. Some States have begun to fill that gap in, but many States have not.

Chairman JOHNSON. That does not explain the rise in cost of tuition and the cost of college in private institutions.

Mr. CAREY. It does not, no.

Chairman JOHNSON. Do you have a relative increase in tuition and the cost of college between private and public?

Mr. CAREY. They have been roughly comparable. They are starting from different baselines, so a percentage basis and an absolute basis, not the same. Public institutions have probably increased their tuition more since the recession, but private institutions were charging more to begin with.

Chairman JOHNSON. OK. It certainly describes the price pressure on public institutions, but it does not at all—something else is at play with private institutions, and, again, you are talking about the supply and demand ratio.

Mr. CAREY. Yes.

Chairman JOHNSON. So I think it is pretty stark. The supply has gone up about 14 percent, and the demand has gone up 111 percent. That is going to put pricing pressure on any system. Then your conclusion was because of the accreditation process you have certainly limited—you have barriers to entry to increase the supply.

Mr. CAREY. Yes,

Senator CARPER. Before you answer, could I just ask—we started a vote, I believe, and we are about 11 minutes into the vote. Do you want me to run and vote and—

Chairman JOHNSON. Sure.

Senator CARPER. Then we will play tag team. This is how we do it here.

Chairman JOHNSON. Are you familiar with the study from the Federal Reserve Bank of New York that is really kind of studying the increase in colleges, college costs?

Mr. CAREY. Yes.

Chairman JOHNSON. So their conclusion, as best as I can interpret it, is that for every dollar that the Federal Government has poured into higher education, tuition has increased 65 cents. You are familiar with that conclusion?

Mr. CAREY. There is an active debate among academic economists about the relationship between public—Federal subsidies and prices. I think broadly speaking there probably is one, but it varies quite a bit, depending on which part of the industry and the sector we are talking about, public versus private, for-profit versus non-profit, elite versus non-elite.

Chairman JOHNSON. I will acknowledge it is complex. Let me just throw out some numbers here for you, because I was intrigued by that result, again, looking for why is college so much more unaffordable. We all want access to higher education, but if you make it unaffordable, you actually decrease access.

So I took a look at since 1970 how much money the Federal Government has poured into higher education, and it totals about \$2.1 trillion in total. That is in grants and student loans. If you take 65 percent of that, that is about \$1.37 trillion. Now, is it a mere coincidence that the outstanding student loan debt is about \$1.3 trillion? I am asking—and, again, I am an accountant. I am taking a look at these things. It seems like possibly the Federal Government poured \$2.1 trillion into higher education. Those institutions obviously sucked that money up, again, felt pretty unrestrained in terms of tuition increases and who is left holding the bag is our young people with \$1.3 trillion of student loans.

Mr. CAREY. During that time there has been a substantial increase in the number of people going to and graduating from college, and so part of that money I think was spent providing that access and giving primarily lower-income people access to higher education who would not have had it otherwise—

Chairman JOHNSON. Which, of course, we all agree with that goal. But, Dr. Vedder, you were talking about since the Department of Education the percentage of lower-income individuals actually going into college or getting degrees has actually leveled off or declined slightly.

Dr. VEDDER. That is correct, as I read the evidence. And that goes back, by the way, to about 1970 or 1972 when Mr. Carey was talking about. And the numbers that come to mind is, I think, roughly 12 percent of recent graduates in 1970 or even 1980 were from the bottom quartile of the income distribution. Now it is about 10 percent.

So my take on that, since you are interested in this, Senator, is that the rise in tuition fees and everything that has accompanied the student loan phenomenon and Pell grants, et cetera, has pushed sticker prices up so much, it has caused low-income people disproportionately to just say, "College is too expensive for me." Now, that may be wrong. It may be incorrect.

And then we also say, "Oh, by the way, you want to go? You got to fill out this 120-question questionnaire that is worse than the income tax form to fill out." That scares away low-income people disproportionately to upper-income people who can figure out a way to get around that or have their accountant fill out the form.

So I think the great goal of these programs from day one—Senator Pell and all of them—let us provide greater access. And, there are many other—Kevin will point out there are many other things going on at the same time. The income distributions are changing, everything else is going on. But I cannot see how these programs can be viewed as a success in providing access. I just simply do not see it.

Chairman JOHNSON. Let me state we all share the same goal. Education has value, and we all want every American to have the opportunity to access education so they have the tools to lead a successful and productive life. That is a goal. We have to really take a look at how much money the Federal Government has expended, what type of mandates, what type of control do they put over the system, when prior to the Department of Education, according to Dr. Vedder's testimony, things certainly were not worse; if anything, potentially a little bit better; and we had a State-run system that was actually working pretty well.

I would kind of like you to address just that basic premise from Dr. Vedder's testimony, Mr. Carey.

Mr. CAREY. Well, the—

Chairman JOHNSON. In other words, do you think there has been a marked improvement in terms of higher education based on—since the Department was stood up?

Mr. CAREY. Dr. Vedder cited some, I think, correct and very worrisome statistics about the amount that students are learning in higher education. There are international comparisons that are, frankly, just as grim. I think that we have succeeded as a Nation both at the State—because of a combination of both State and Federal programs providing more access to higher education for people who could not afford to have it otherwise. It is why we have one of the highest percentages of people with a bachelor's degree in the world, although other countries have been catching up with us. So in that sense, I think the programs have been a success.

What we have not done is design programs that provide incentives for institutions to restrain their tuition and to focus on student learning at the same time.

Chairman JOHNSON. The marketplace provides those types of restraints. I am not sure government control has ever proved successful at restraining prices.

I do want to talk about what I think is quite troubling. There was a Northeastern University study a couple of years ago that came out and said that of recent college graduates, close to 50 percent are either unemployed or underemployed—in other words, with a job that required little or no college education whatsoever. The Federal Reserve Bank of New York just came out with a similar study saying about 44 percent. Dr. Vedder, you were talking about that in your testimony.

Dr. VEDDER. I have done one of those studies too. If you want one, I will give you another one.

Chairman JOHNSON. So your conclusion is, and why?

Dr. VEDDER. Well, there are different sources of data, and there are different—what is the skill requirements for a given job? There are honest differences of opinion, and I think legitimate in some cases, about what is required. But there is no question we have credential inflation in the United States. We now have baristas who have college degrees; 15 to 20 percent of taxi drivers now have college degrees; in 1970, less than 1 percent. We have 115,000 janitors with bachelor's degrees in 2010, according to the census data. So we have huge increases in people. You can make a decent case that we are overinvested in higher education, that we are putting too many resources into getting people to get formalized 4-year degrees. Now, that is not necessarily to say they should not be getting something, some sort of training. Maybe more of them should go to welding school. Welders make more money than anthropologists. And maybe, you could make a case that we are misinvesting our money or even overinvesting our money, because guidance counselors tell everyone, "You have to go to college." President Obama tells us we want to increase the proportion with degrees. The Lumina Foundation—that is what they are all telling us. But what is happening to the graduates? How is it helping society? And now a bar owner can advertise, "I will only accept applications from college graduates for a bar tender's job." You do not need a bachelor's degree to mix drinks. One in chemistry might help for some of the more exotic drinks, I suppose. But you do not really need a degree. So we have added this on.

And, of course, there is another dimension to college, and there is a socialization dimension to college. There is also a notion that college is more than about vocational things. It is about developing virtue and so forth. But I do not even see the evidence there that there has been an enormous improvement, say, in civic virtue, civility, these other things that allegedly college graduates have.

I am in my 51st year of teaching. I am leaving here early, and I demanded you move the hearing up to 9:30 so I can get back to students. I am on the firing line still at age 74—and not getting paid for it, by the way—because I think it is a calling. It is an important calling. But I do think we have been terribly inefficient. I agree with everything Kevin said, virtually everything he said. All these barriers we put up to new forms of innovation are there, all the failure to use the Internet. Teaching is the only profession, with the possible exception of prostitution, in which there has been

absolutely no productivity advance in the 2,400 years since Aristotle taught Socrates, and Aristotle, too, taught the youth of Athens. So we have not taken advantage of technology. We have conflicts of interest—Kevin talked about this; I talked about this—in the way we decide who can enter the field. The supply constraints that he mentioned and that you picked up on are partly predicated on that. That is something that although they are technically done by a private accrediting association, the Department has a very strong role to play in, and I think I would agree with Mr. Carey that that is an area we ought to—

Chairman JOHNSON. I can certainly attest to the fact, because I have gone all around the State of Wisconsin for the last 4½ years and visited manufacturing sites, and I come from a manufacturing background myself, somebody who has had a very difficult time for the last 20, 25 years hiring people for manufacturing. There is not one manufacturing plant I visited in Wisconsin that can hire enough people. Not one. So there is demand. Those are good-paying jobs as well as oftentimes those manufacturers will pay for education so our kids do not have to put themselves into what is on average—and, by the way, is this a correct figure, about \$29,000 on average is what students are leaving college with?

Mr. CAREY. Among those who borrow, yes.

Dr. VEDDER. Yes, among those borrowing.

Chairman JOHNSON. I really want to hone in on this: 40 to 50 percent of recent college graduates that are either unemployed or employed in positions that require no college education whatsoever. How much of that is due to the fact that the degree programs are not matching what employers are looking for? On the one hand, if you need welders, you need manufacturers, You are already potentially overeducating people and causing them to go into debt. The way I always refer to it, the fill-in-the-blank studies degrees, again, have value, higher thinking, liberal arts, I am not denigrating that, but in terms of the evaluation or the metric of matching outcomes with employer and societal needs, how are we doing along those lines? I would like to hear your thoughts on that, Mr. Carey.

Mr. CAREY. Well, the skills requirements for job categories have changed a lot over time, so, manufacturing used to be a semi-skilled job, but now it requires a lot of advanced training. You have to understand—

Chairman JOHNSON. Just hang on here.

Mr. CAREY. Yes.

[Pause.]

Chairman JOHNSON. I am getting close to the end of the vote. I was hoping somebody would come back to keep this thing going, but I may have to put this in recess for a while, or a pause. What is the proper term?

[Pause.]

A pause? OK. Let me go vote. When somebody else comes in, they can start asking the questions. Thanks.

Mr. CAREY. Thank you, Mr. Chairman.

[Recess.]

Senator CARPER [Presiding.] Well, thanks for waiting. We do this all the time, trying to keep things moving, and we appreciate your bearing with us.

Thank you both for being here. Fifty-one years, that is extraordinary. Extraordinary. We thank you for all of those. If you ever see George Voinovich, give him my best.

Dr. VEDDER. I see him frequently, and he is a great public servant, and he is a great graduate of my university.

Senator CARPER. There you go. But I want to start and, Dr. Vedder, I am going to ask you a question. One of the questions I like to ask of witnesses, I am always looking for common ground. Always looking for common ground. And I thought you both said a lot of things that were important, correct, and I want to ask you, Dr. Vedder, to sort of like—not spell check but some of the things that Mr. Carey said, especially toward the end of his testimony, that I just want to ask you to react to some of what he said. He said basically we write out a blank check, and we do not ask for much in terms of results. Would you just kind of react to that for us, please?

Dr. VEDDER. Yes. I very much agreed with almost everything that Mr. Carey said. We were not carbon copies of one another because he picked up on other things that I did not.

Senator CARPER. One of the things that I do not think you agreed on is the role of the Federal Government funding, Pell grants and so forth, you all do not agree that is—

Dr. VEDDER. Well, I think we might have some differences of—

Senator CARPER. But where do you agree, especially with the things—

Dr. VEDDER. First of all, on the information side, that is one area where we agree. There is a lot of things that go on in education. We know appallingly little about what kids actually learn during the course of their college years, and if we do know any more, we have some generalized national information. We do not know the difference between the learning at the University of Delaware vis-a-vis the Iowa State University, since Senator Ernst just walked in the room. And we do not know. Do the kids at Iowa State learn more during the course of their years in college than the students at the University of Delaware? We have no—that is a fairly fundamental question. We do not know the answer to that. And getting the answer is difficult. It is not easy, and there is some disagreement, how do you measure learning and so forth.

But we are in the business of grading students all the time. We are evaluating students all the time. Why can't we get better assessments of what the colleges are doing? And I think Kevin and I in general are in agreement with that.

The area of accreditation, both of us hit pretty hard on this, that we do not think—I should not speak for Mr. Carey, but I think we would both very strongly agree that the accreditation system, while it has a legitimate purpose for certain, is not working as well as it should. Does it really weed out the bad schools? No. Is there a conflict of interest inherent in it? When the colleges themselves more or less regulate themselves, and to get accredited, you have to do what the other colleges do more or less, with some modification.

Senator CARPER. I am going to ask you to wrap up because I do not have a lot of time. Just finish your sentence and then I am going to come back to Mr. Carey. Go ahead.

Dr. VEDDER. Yes, the last thing I would say, along with him, the incentive systems within the academy to be efficient and to be productive are very, very limited.

Senator CARPER. OK. Thanks for that.

Mr. Carey, if we take nothing away from your testimony today, take nothing away but maybe two or three points, including some of the stuff you said at the end, just hammer it home, please.

Mr. CAREY. Sure. The Federal Government I think has an appropriate role in providing information about higher education to consumers. It is a national market, and so really it is the only body that can provide consistent data. In fact, just a couple of weeks ago, the Department of Education released earnings and loan repayment data for the very first time about every college and university in America. Very interesting information, some of it quite disturbing. Actually, a number of institutions where many graduates earn no more than high school graduates do; many institutions where very few students are able to repay their loans on time. I think that is an appropriate role.

Senator CARPER. And when you look at it, is there an inordinate—for those students who are unable to pay their—graduate with a degree, or maybe without a degree, if they are unable to pay their loans on time, in terms of like public schools, private schools, for-profits, is there any differentiation there that you are aware of?

Mr. CAREY. Certainly the loan repayment rates are worse in the for-profit industry.

Senator CARPER. Why do you suppose that is? And it is not just by a little bit.

Mr. CAREY. Sure. There are, I think, a significant number of for-profit colleges that, first of all, they enroll—because, as you had said earlier, many are almost entirely dependent on the Federal financial aid system for revenue, they enroll students who are eligible for financial aid who are, by definition, lower-income students. So they enroll students who have very little money. They charge prices that are much more expensive, often, than public institutions or even private nonprofit institutions. And some of them—not all, but I think a significant number—are offering degrees that do not have a lot of value in the job market. So students just cannot—they do not get paid enough to pay their loans back.

Senator CARPER. OK. We have this law on the books that I mentioned before—it used to be 85–15; it goes back like sixty-some years—where scam artists, for-profit schools were taking advantage of the GIs and the GI bill, and we established the 85–15 rule that said 15 percent of enrollees in a for-profit school have to be not paid for by the Federal Government. And then we upgraded that, I think 85 percent of the—15 percent of the revenue of these for-profits had to come from non-Federal sources. And then we made that 90–10 so that 10 percent of a for-profit school's revenues had to come from, non-Federal sources. But then we find out that there is a loophole that allows the schools to take students on the GI bill, take students that are on active duty, and that does not count against the 90 percent. So some schools have 100 percent of their moneys coming from Federal sources. What should we do about that?

Mr. CAREY. I believe it is a loophole. I believe some colleges actively recruit members of the military because every dollar of the GI bill counts in the 10 percent. So if you get \$1 in military—in GI bill money, you can go and get \$9 more from the regular Title IV system. I think it has led to abuses. I think it contravenes the spirit of the 90–10 and previously 85–15 rule, which says that colleges ought to be able to convince someone to pay their own money for college, and if they do not, it says something, I think, that we ought to take a look at. So I think it is a loophole. I think it should be closed.

Senator CARPER. Thanks so much.

I think, Senator Ernst, you are next. He asked for you to defend Iowa State.

Mr. CAREY. I am also an Ohio State graduate.

OPENING STATEMENT OF SENATOR ERNST

Senator ERNST. Well, fantastic. We could go around and around all day, couldn't we?

Thank you, Senator Carper, very much. Gentlemen, thank you for being here today.

First, I want to just talk a little bit about financial literacy of those students that are going into higher education. When I was back at Iowa State University, I had a great friend who was receiving a Federal student loan. He had gotten his loan check in the mail, and in our conversation, he stated, "Oh, I am so glad I got my check today. Now I can pay my girlfriend's rent." I was confused. I did not think that is what the Federal student loan program was for.

So, anyway, I think there are a lot of—and I do not want to call them abuses. I just do not know that students are adequately prepared when they get those Federal student loan dollars. Maybe they should know that this is for books and tuition and your own use toward higher education.

But just for both of you gentlemen, in your opinion, how can we improve the ways that we are educating those that are receiving these loans or those that are potential borrowers about the risks of overborrowing, which is oftentimes what happens, or using borrowed funds inappropriately? How can we do better in that area? Any thoughts?

Dr. VEDDER. Well, it is an information problem, and the College Scoreboard which was recently put out is a step in the right direction. It tells for each college the amount of borrowing that students are doing. It says what percent have even failed to make a single dollar payment on their loan. Some of that provides information to students in general, particularly in terms of selecting a college. I have often thought—my wife is a high school guidance counselor in a low-income area and pushed very hard for years to get more and more kids to go to college. I think that is an admirable thing to do. But I think sometimes we give unrealistic information to students. We do not tell students that 40 percent of the people that enter college do not graduate in 5, 6 years. We do not tell them the risks. We tell them the benefits. You will earn an extra \$1 million over a lifetime, which is what it says on the Department of Education

website today, if you go on and look at it right now. I can show it.

Senator ERNST. Wow.

Dr. VEDDER. You earn \$1 million more if you go to college. "Oh, gosh, I want to earn \$1 million more." It does not say there is a 40-percent probability based on national evidence you will not get through college in 6 years, not 4. It does not even—the colleges do not tell you, "You are not going to graduate in four. There is a 40-percent chance you will graduate in four, but a third of the kids who graduate take five or six. It does not tell you that. They do not tell you that stuff.

The colleges provide a rosy scenario, and it is the duty of others, I think, to provide information, including the magazine rankings. I do the rankings for Forbes magazine for colleges and universities. I think we provide a little bit of a service in that way.

But I think the risks associated with going to college are understated. The benefits are overstated. And as a consequence, we get people whose expectations are dashed at the end. They go to school for a few years. Either they do not graduate, or they do graduate, or they graduate and then get a job working at Starbucks or Walmart, and they are having a heck of a time paying back, and they are living in—Arum and Roksa in their second book said 24 percent of recent graduates, 2 years, live in the base—well, I am not sure they live in the basement of their parents. They live in their parents' house. Sixty percent are still receiving financial aid from their parents 2 years after graduation. And that is not the way it is supposed to be. When you go to college, you do not expect to be relying on your parents after you graduate.

Senator ERNST. Right, and I do think that we see a lot of that.

Mr. Carey, do you have any thoughts?

Mr. CAREY. Yes, Senator Ernst. There is kind of a push and pull between making the Federal aid system kind of bureaucratic and rule-bound in a way that would constrain how students spend their money and making it open enough and giving students choices, and they might not all make the right choices. So I think that is kind of a tradeoff we have to wrestle with.

One thing we could do, right now colleges bear none of the risk of students defaulting on their loans, because they get the money up front. As we found out recently, there are hundreds of institutions where 5 or 7 years after graduation the majority of students have, as Dr. Vedder said, paid none of their loans back, they have either defaulted or they are only paying interest or they are sitting out there, the colleges have almost no risk at all. And so some people have proposed—and I think this is a good idea—to have colleges share in some of the downside risk of the loan program where, if their graduates default on the loans, they would be responsible for some percentage of that money. That might give colleges incentives to provide better counseling to students and make sure that they spend their money wisely, borrow enough money but not too much money.

Senator ERNST. Certainly something to think about. I think financial literacy, whether it is part of the orientation process or even in high school, whether it is guidance counselors, some way we just have to instruct those young people that, proper use of

those funds and this is for your education. But I think we can also—whoever that “we” might be, but a better understanding of also the programs that are offered through colleges or universities and what their outcome is with employment, hey, philosophy sounds great, but, what kind of job are you going to get in philosophy or world history or, civilization? I do not know.

So there needs to be a realistic expectation on the part of those students what degree program they go into and then what the outcome of that degree will be. Maybe even a scale of this is what on average people in your field will make once they have secured employment, I think that is maybe perhaps helpful as well.

Any closing thoughts?

Mr. CAREY. Well, I would just note that, only 2½ weeks ago, the Department of Education for the very first time published information about what the average earnings are of students who graduated from an individual college and the 10th percentile, 25th, 90th percentile, earnings for men, earnings for women. So we do now have the ability by matching information from the Federal student financial aid system with information from the Internal Revenue Service (IRS) to provide that kind of information to students. So we will have to see and train guidance counselors to use that, to provide that as students make choices.

Senator ERNST. Very good. Thank you, gentlemen. I appreciate it. Thank you, Mr. Chairman.

Chairman JOHNSON [Presiding.] Thank you, Senator Ernst.

On a side note, and this is a very unscientific study, but my own focus group, every time I have asked a student who is in debt, I ask them, “Did anybody ever—high school counselor, college counselor, financial counselor—talk about paying this loan back?” And it will change now, and I am saying this publicly. To date, the answer has always been, “No, nobody ever talked to me about it,” which—again, that is the kind of counseling we have to give.

But, anyway, Senator McCaskill?

OPENING STATEMENT OF SENATOR MCCASKILL

Senator MCCASKILL. Do either of you believe we should eliminate the Department of Education?

Dr. VEDDER. I think a case could be made to do that. I think higher education in America is no better today, maybe marginally worse than it was 34 years ago.

Senator MCCASKILL. OK.

Mr. CAREY. I do not believe.

Senator MCCASKILL. OK. The vast majority of the funding in the Department of Education goes to three programs: the Pell grants, funding for special education needs in K–12, and grants to local State school systems. Of those programs, should all three of them be eliminated, Dr. Vedder, if we eliminate the Department of—

Dr. VEDDER. I did not talk about program elimination. First of all, the hearing is on higher education. I do not favor the elimination of Pell grants. The other two programs are not higher—

Senator MCCASKILL. And where should they be administrated if the Department of Education is gone?

Dr. VEDDER. First of all, I do want to eliminate some of the student loan programs.

Senator McCASKILL. OK.

Dr. VEDDER. I do. I want to be on record on that.

Senator McCASKILL. All right. Less than 10 percent of the education funding in this country comes from the Federal Government, and a huge amount of the money that is going into higher education, of course, or student loans, which even though many of them are not paid back, the majority of them are paid back. And in the process, these kids are getting a college education. Even less of the management decisions are being made at the Federal level. I would guess that the management decisions in higher education are being made, what would you estimate, 95 percent at the local level?

Dr. VEDDER. Well, I do not know how you define management decisions.

Senator McCASKILL. Well, we are not deciding to raise tuition, Dr. Vedder. The Federal Government is not.

Dr. VEDDER. What do you suppose, Senator, why do you suppose tuitions have gone up 3 percent faster than the rate of inflation? Why do you suppose—

Senator McCASKILL. Well, we have not even talked about tenure.

Dr. VEDDER [continuing]. Textbook prices are going up more than the prices of other books?

Senator McCASKILL. We have not even—

Dr. VEDDER. It is the financial aid system, Senator.

Senator McCASKILL. OK. So I understand that there is an argument and there is a huge debate about whether or not, as Mr. Carey indicated, a huge debate among accomplished economists about what is the driving cost. I guess the point I am trying to make is the Federal Government has such a small role in the policies and the financing of higher education, and if higher education is doing such a bad job, isn't that an indictment on the State and local and for-profit institutions as opposed to the Federal Government?

Dr. VEDDER. It is an indictment on the entire system. The Federal Government is only part of it. But I would not agree—

Senator McCASKILL. A small part of it.

Dr. VEDDER. I would not agree with your characterization. \$180 billion, \$160 billion is sloshing around in student loans every year, and Pell grants, et cetera. That is not a minor part of a \$400, \$500 billion industry. Admittedly, it is loans. And you say, well, we do not count that because those are going to be paid back someday. But it has a disproportionate impact on what goes on.

When the Department of Education tells colleges and universities what standards they will use on Judiciary hearings on sexual assault, for example, that is an interference by the Federal Government on local decisions.

Perhaps you understated the role that the Federal Government plays—

Senator McCASKILL. Let us talk about sexual assault. My office did the first—

Dr. VEDDER. I am against it, by the way.

Senator McCASKILL. We all are. And it probably is not humorous. For the first time in decades, we did a statistically valid survey of colleges and universities in this country last year. If you

have not had a chance to read it, I would recommend it to you. I would certainly recommend that you look at the underlying methodology because I think you will be impressed that the underlying methodology was—I made sure it was bulletproof, as a former auditor. Understand now that any complaint of sexual assault on a college campus is supposed to be investigated. Forty percent of the higher education institutions in this country said on that survey that they had not done a single investigation in sexual assault in 5 years.

Do you believe, Dr. Vedder, that that is an accurate reflection of whether or not there was any sexual assault going on on those campuses?

Dr. VEDDER. I suspect there is a shameful lack of reporting. I suspect you are absolutely—

Senator MCCASKILL. Or a shameful lack of acknowledgment by the universities that they have a problem.

Dr. VEDDER. Universities like to hide problems. They like to hide bad publicity, and this is an area which is particularly true. I am sure you are correct.

Senator MCCASKILL. And one in five admitted that their athletic departments had a role in adjudicating these cases against their athletes.

Dr. VEDDER. I believe that, and I think there is a scandal in intercollegiate athletics, too.

Senator MCCASKILL. So my question is: Do you believe that Title IX was good in terms of equality for women in terms of sporting opportunities? That Federal law, do you believe that—

Dr. VEDDER. I think it is probably a good thing. I have no problem with it.

Senator MCCASKILL. That that was a good Federal role?

Dr. VEDDER. Yes, sure.

Senator MCCASKILL. OK. But you do not believe that there should be a Federal role in giving young women an opportunity or young men an opportunity to tell the university when there is an environment on their campus that is unsafe?

Dr. VEDDER. I raised in my testimony, which you were probably voting at the time, or whatever—

Senator MCCASKILL. I read your testimony.

Dr. VEDDER. We use standards in sexual assault cases—and this is not my area—I am an economist. This is not my area of expertise. But we use preponderance of evidence standards, which 28 members of the Harvard Law School, who are not particularly known as being hidebound conservatives, said it was inappropriate to be used, and—

Senator MCCASKILL. By the way, I am a conservative on this topic because I believe that preponderance of the evidence is completely appropriate when the only punishment they can possibly get is leaving the campus. We are not talking about depriving somebody of their liberty. We are not talking about incarcerating them. We are not talking about them having to register as a sex offender. We are not talking about them having something hang over their head for the rest of their lives in terms of being charged with a crime. We are talking about most of the time they are getting book reports or being suspended for 3 weeks. The worst that

could happen under Title IX is that they have to leave the campus. Now, do you not believe that under those circumstances the safety of the campus, if it is a preponderance of the evidence, that is not—I think this is a conservative position, not a liberal position. I think the liberal position is let us make sure that we give every benefit of the doubt to people who have been accused of raping women on campus?

Dr. VEDDER. I think that cases of this kind should be referred to the courts in the judiciary, to the prosecutor's office, and that crimes of sexual assault are crimes, and crimes should be handled by police. And I do think that often campuses hide this. I think it is shameful. I agree with you, Senator, on that.

Senator McCASKILL. Well, perhaps—

Dr. VEDDER. There are a lot of things going on in campuses that are shameful. The interesting issue, though, is how should these things—should they be settled from D.C. or should they be settled at the State level? And I think that there are honest differences of opinion.

Senator McCASKILL. I think there are honest differences of opinion, and I know I am out of time, but I will close. Mr. Carey, one of the things our legislation will do that some of us are cosponsors of the legislation—Senator Ayotte is one of the cosponsors—is it would provide a climate survey that would allow an apples-to-apples comparison of how students feel about how safe they are on these campuses, which goes to your point about consumer education. Right now, the Clery statistics, nobody has any idea what they are. They do not know how to get to them. They are not being done in a way that even allows a comparison campus to campus. And I think unfortunately right now too many parents are looking and seeing schools that do not have any investigations, thinking, oh, that must be a safe place, when in reality it is just the opposite.

So I am assuming the climate surveys that would allow something like the Scorecard in terms of earning capability and graduation rates would be something that you think would be an appropriate Federal role?

Mr. CAREY. I do, yes.

Senator McCASKILL. Thank you.

Thank you, Mr. Chairman.

Chairman JOHNSON. Thank you, Senator McCaskill. I think that information gathering and publication process is something we can all agree on. I really do. Senator Lankford.

OPENING STATEMENT OF SENATOR LANKFORD

Senator LANKFORD. Thank you for the conversation. Let me switch over to the accreditation conversation that had started earlier as well, and I want to give you a chance to spend some additional time on that.

Accreditation is one of those key areas where basically other campuses that—or other schools limit the innovation of other campuses, and my concern is: How do we actually encourage more innovation rather than limit innovation? What are recommendations and ideas that you have? And what role can we have in the accreditation process?

I am one of those folks that believes we have the greatest educational system for higher education in the world. The envy of the world still is here, and one of the worst things that we can do is to get increased Federal involvement to something that is going well. But when there are clear areas that are not going well, like limiting innovation, we need to find a way to be able to engage in that.

So, Mr. Carey, you started this conversation. Dr. Vedder, you also engaged in this as well. What are ways that we can actually improve the accreditation process to make sure that we encourage innovation rather than stifle it?

Mr. CAREY. I would recommend experimenting in a controlled fashion with alternatives to traditional accreditation that would allow either for-profit or nonprofit organizations that want to take an innovative approach to higher education, that may not be whole colleges and whole degree programs, and give them a shot, as long as they are willing to be held accountable for outcomes, which, frankly, the current accreditation system does not have.

For example, like right now, Massachusetts Institute of Technology (MIT) and Harvard have created a nonprofit organization called “edX” that offers free online classes that are taught by MIT and Harvard professors. You can basically take the entire MIT freshman curriculum, extremely high quality classes online, same classes, same exams—I have taken one of these classes—take the tests, get a certificate from them. But what you cannot do is then use that for college credit because the nonprofit consortium is not an accredited college. I think that is crazy. You can get college credit and pay a lot of money and give your Pell grant to the sketchiest, worst college, for-profit or nonprofit—and there are both in this country—but you cannot go and get credit for a Harvard or an MIT class that is taught by the greatest professors in the world. That is an accreditation problem, and it is because the accreditation system does not know what to do with the nonprofit—

Senator LANKFORD. Right. So I am back to the same issue. We see rising costs in higher education. We see these innovative models that are out there that can dramatically drop the cost line. And one of the biggest issues we have is an increased number of individuals wanting to get into college, which is good, but then increasing costs for every one of those, and they can get away with it because everyone is pushing these students toward college. Good to do that, but we cannot get the innovation. Typically when you have rising costs, you have—competition floods into the market, and you have innovation that occurs, and there are other models. To say if

you want to spend \$100,000 to go to college, there is a place to do that. But if you do not want to do that, there is also a way to be able to get it done for \$10,000. Right now I believe that the accreditation models are stifling that.

So my question is: How do we fix it? I know it is there. What are the ideas on how to actually fix that?

Mr. CAREY. Because accreditation matters most in the way that it grants eligibility to the Federal financial aid system—that is far and away the most important thing about it—I think we should experiment with other ways to access the Federal financial aid system that are, again, rooted in evidence of student learning and not rooted in you are like all the colleges that came before you.

Senator LANKFORD. Dr. Vedder.

Dr. VEDDER. I would agree 100 percent with Mr. Carey on that. Colleges, you have to remember, are packaging devices. You get a piece of paper at the end after you have taken 45 courses, or whatever the number is for a bachelor's degree, and in a sense colleges have a monopoly on providing education while the person is at the university, pretty much. They can transfer in and out a little bit of credit. Even there, there are some obstacles.

So coming up with allowing an individual provider of courses as opposed to degrees, to get those courses in effect accredited in some fashion, given—be anointed as being OK to get Federal aid for would be a huge step forward. The massive open online courses (MOOCs), the so-called massively open online courses, what everyone said would be a great success, have been sort of in some people's minds a bit of a disappointment, not because they are a bad idea or the quality is bad, but because the obstacles of turning learning, real learning into something that can be certificated and proven as learning is very difficult.

In that area in particular, I think there is, room for—why don't we accredit courses rather than universities? Why doesn't a person that has 45 courses from 20 different universities be able to get a degree if there are a few other minor issues associated with it, but why not in principle can't that happen?

Senator LANKFORD. Right.

Dr. VEDDER. And so I am in complete agreement with Mr. Carey.

Senator LANKFORD. So the question obviously on that is the who. Who does that accreditation? Who actually examines that course? Who signs off on it, sets the standards? We have accrediting agencies now for universities. Universities are not going to accept every other course that is out there. They will not accept other things that are accredited, and even then they will evaluate whether it is going to work on their degree. Who does that type of accreditation? How would that work?

Mr. CAREY. My recommendation would be that it either come from business and industry, because many higher education classes are explicit—programs are explicitly designed to lead to skills and outcomes in the professions and in industry, or the academy. So we should not ask the U.S. Department of Education to decide what a good calculus class is.

Senator LANKFORD. Right.

Mr. CAREY. We should ask mathematicians in our universities who very much know what a good calculus class is. We can tell,

as Dr. Vedder said earlier, who is learning math and who is not. They should decide what the standards are. And we should allow anyone who can prove that they can through maybe very different methods bring people up to those skills to compete on a level financial playing field in the context of Federal aid.

Senator LANKFORD. OK. Dr. Vedder, any comments on the who?

Dr. VEDDER. No. I completely agree with Dr. Carey.

I would say this: I have been yelling at the U.S. Chamber of Commerce and other business groups, "Why don't you get into the business of accreditation? Just declare yourself an accreditor." Businesses will listen to what other businesses say perhaps. I do not know if it is the U.S. Chamber or the National Association of Manufacturers or National Federation of Independent Business (NFIB). Why aren't they getting in the business of saying what is acceptable to them in terms of placing people? And I think perhaps we ought to encourage more militant—greater discussions with the business community about doing this and picking up on Mr. Carey's point.

Senator LANKFORD. I would tell you, the State of Oklahoma years ago invested at a very high level in our career and vocational education, and the business community is very, very engaged in making sure that that actually lines up with the skills that they need to be able to hire. And the Oklahoma model for career tech has been extremely successful and is a very unique model around the country. So that is actually possible on it. My challenge would be if we are fighting with the inevitable cost, we cannot have the Federal Government say we are just going to continue to pay the same amount for these courses that are online that may cost a fraction of the amount. If the goal is to be able to provide that student the opportunity to be able to get a degree, maybe \$5,000, \$6,000 for a college degree they can do mostly online with high-level classes, when Federal dollars start rushing into that, the costs of the online courses are going to skyrocket, and it should not be that way. So we have to be able to find a way that the Federal Government is not the engagement on that, but we have true competition in the process with the accreditation. So I would appreciate the ongoing conversation on this in the days ahead.

Thank you. I yield back.

Chairman JOHNSON. Thank you, Senator Lankford.

Before we move off this point, if I could interrupt on Senator Ayotte's time here, isn't it true that the Federal Government decides who the accreditation agencies are for any university that is going to get Federal Pell grants and student loans?

Mr. CAREY. Yes.

Dr. VEDDER. That is correct.

Chairman JOHNSON. It is not like somebody can just—they have to get federally approved to be an accreditor of that. So the Federal Government controls that process, right?

Dr. VEDDER. Yes.

Mr. CAREY. Yes.

Chairman JOHNSON. And in terms of innovation, the marketplace is the greatest innovator, so, Mr. Carey, you talked about the accreditation process limiting additional supply. We have a 14-percent increase in supply, 111-percent increase in demand in this

thing. What else is limiting the supply? Do you really view that as the primary factor limiting the increase in supply of colleges and universities and courses?

Mr. CAREY. I do think that a consequence of our investments in Federal aid, which I very much support and think were important, they unleveled the financial playing field. So if you are a competitor, students can bring a \$5,500 voucher to pay for their classes, and you are not in that system and you are \$5,500 behind, that is such a disadvantage that I think nobody even wants to try to come in and compete.

There are a few places now, we see in like coding academies, for example, very high demand, very high skill areas where actually there are new organizations that are existing outside the aid system. But that is for jobs that pay \$90,000 a year, and they cannot get enough people.

Chairman JOHNSON. Limiting the supply is really tied to the Federal Government control over the accreditation process and the financing, the student loans and the grants, is your conclusion.

Mr. CAREY. Yes.

Dr. VEDDER. Yes.

Chairman JOHNSON. OK. Senator Ayotte.

OPENING STATEMENT OF SENATOR AYOTTE

Senator AYOTTE. Thank you. I wanted to ask about a related topic to what Senator Lankford just asked about. And as we look at our education system, one of the experiences that I have is when I travel around New Hampshire, I hear from employers directly, many of them in the manufacturing field, that they have many unfilled positions, and they are very good paying positions, frankly, much better paying positions than many of our 4-year graduates are able to get when they get out of college. And we have a disconnect right now between our employment needs and our opportunities that we are seeing with some resurgence in manufacturing, and it is advanced manufacturing. People sort of have this outdated view of manufacturing that is in this dirty factory. These are very technical jobs. They require obviously an understanding of how to use computers. They require some basic mathematics and engineering understanding. But they do not necessarily require a 4-year degree.

So I wanted to get your thoughts on, Senator Kaine and I actually have a bill, both of you, that would allow you the flexibility, if you need your Pell grant, to take a short-term skills program, a Career and Technical Education (CTE) program, a training program, say you are going to go to a community college or let us say you want to go to a welding program or whatever it is, because there are a lot of opportunities for good-paying jobs, and it goes back to this issue of transparency. We need to tell our young people, too, that here is where there are jobs and here is what the average pay is here so that they know when they are taking out a college loan, what the implications of that are, but also what are the opportunities for me to earn in the long term, and where are the jobs available?

So I wanted to get your thought on this idea of—I know we are talking about higher education today, and one of the big gaps we

have in higher education is Science, Technology, Engineering and Math (STEM) overall, but it is also beyond just the traditional 4-year degree. I want to get both of your thoughts on how do we provide people bigger opportunities here in looking at higher education in a broader, more flexible sense.

Dr. VEDDER. I completely agree with everything you said, Senator. Indeed, while you were out of the room, I spoke some to the very issue you mention. First of all, colleges and universities are organized in medieval ways. They are in departments, the history department and this department and that department. They are not quick, nimble, and fast. They are bureaucratic. They are not able to see the changes going on. They do not have the market incentives to see that changes are coming.

Apple brought this out last week. This is the 6S. They sold 3 million last Friday. You can be sure Samsung and others are working day and night to come up. That does not exist in higher ed, so we have to facilitate what you are talking about in different ways.

One way is to extend Federal aid, where Federal aid goes——

Senator AYOTTE. Give you flexibility in how you use——

Dr. VEDDER. Yes, exactly. Maybe we ought to use the word “post-secondary” instead of “higher ed.” And if you want to go to welding school with that money, my view is go to welding school, if that is what is best for you. Welders make more money, for every education dollar spent on welding. It is a heck of a lot better——

Senator AYOTTE. If you want to talk value, if you have a good welder, I mean, you could write your ticket.

Dr. VEDDER. Yes, I mean, welders or plumbers are golden.

Senator AYOTTE. Yes, I know. They are golden.

Dr. VEDDER. Yes, absolutely.

Mr. CAREY. Thank you, Senator. I also agree with what you said. I think in many ways our higher education system discriminates against programs that are designed to provide people with skills that lead to good jobs. We tend to relegate those to the less resourced part——

Senator AYOTTE. And, also, I think we have kind of developed a bad attitude that is not right in terms of those jobs, that these are very important, productive jobs for our country.

Mr. CAREY. One of the problem we have is it is very difficult if you say you went to a community college and got a 2-year degree that leads to employment, it is very difficult to transfer those credits and get a bachelor's degree if, say, you want to move up into management, and often management jobs you need a bachelor's degree or even a master's degree. Those things we can change. And, also, to pick up a little bit——

Senator AYOTTE. We should change that, absolutely.

Mr. CAREY. Absolutely.

Senator AYOTTE. You should be able to use that and have transferability to go on to that next step in your career.

Mr. CAREY. I agree with that, and to respond a little bit to something related to what Senator Lankford said earlier, we do not have to make a full Pell grant available for every program. We do, but we do not have to.

Senator AYOTTE. Right.

Mr. CAREY. You could imagine saying, what we really want are lower-cost programs, and so in exchange for the flexibility to try something new and not be like a regular accredited college, you only get half a Pell grant, and see what happens, see who responds to that.

Senator AYOTTE. I also like this idea—you mentioned it—of skin in the game for the colleges and universities and higher education, because that I think would focus them more on informing people, letting the students know what all of their options are, and, for example, that they do not have to take out the full amount of the loan if they have other sources. The fact that if they had some skin in the game on repayment themselves, they would also, I think, be giving people stronger counseling and advice on what is available, and obviously that is going to go back into the high schools.

So how do you see us doing that, the skin in the game? I know there is a bill here, which I am supportive of, that has been introduced in the Senate, but what thoughts do you have on the policy end that we could make sure that we get the higher education institutions in this, too?

Mr. CAREY. I think it is relatively straightforward from a policy standpoint. I think it is mostly a political issue. I imagine you will get a lot of phone calls from college presidents here and elsewhere—

Senator AYOTTE. I probably will after this hearing, right?

Mr. CAREY [continuing]. Who for obvious reasons would rather keep the system they have now.

Dr. VEDDER. Yes, the problem is overcoming the higher education lobby. It is a political issue. I mean, there is no question it should happen. There is no question that if colleges are giving advice that is distorted or wrong, they should pay a price for that if there are negative consequences. It is simple.

But you try to get by Terry Hartle of the American—I will name names—the American Council on Education or other lobbyists. He is a fine man, by the way, but he will kill you on this issue, or try to. And so it is a political issue.

Senator AYOTTE. It would not be the first time that we have all faced those kinds of issues, right? But I think what you are hearing from all of us is a real desire to understand how we can give our students an opportunity to pursue with knowledge what they want to pursue and have the nimbleness within our system to give those opportunities, because the system now, with the way that prices are rising, you can get to a point where it is just how do we sustain this, and that is going to be a real issue for all of us. So I appreciate your both being here.

Chairman JOHNSON. Senator Ayotte, I appreciate your line of questioning here. Coming from a manufacturing background myself, also volunteering in education, right before I ran for the U.S. Senate, the initiative of our Partners Education Council was really next step after high school. How do we provide students and their parents all the information on all their options after high school? One of the main points I kept talking about, is we have to stop denigrating the trades. All work has value. There is no first-or second-class way of realizing your full human potential. Here is the good news in manufacturing, I had the same comment in Wis-

consin. There is not one manufacturing company that I have visited that can hire enough people, and for a number of reasons——

Senator AYOTTE. I agree.

Chairman JOHNSON [continuing]. Partly because we tell all of our kids, “You have to get a 4-year degree,” and thereby imply that manufacturing is a lesser way of realizing your full human potential.

The good news is with apprenticeship programs through unions, and manufacturers are paying for education. Happy to work with you on a Pell grant initiative, but we need to let our kids know that there is such a shortage of welders and manufacturing jobs available. Most manufacturers, my own company as well, we paid for technical college. We paid for full degrees for those individuals working for us.

There is no option here: going into manufacturing, having manufacturing companies pay for education. You end up with a degree and zero debt. We just do not tell our kids that those options are really available.

Senator AYOTTE. And this goes to the guidance counselor issue in high school, too.

Chairman JOHNSON. Yes. We were trying to get this ingrained in our comprehensive counseling model, starting in eighth grade into tenth, getting that information out there. The good news is that requires no Federal Government involvement whatsoever providing that information. Individuals at the local school level can provide that information and start opening up students’ and parents’ minds to all their option. I appreciate the line of questioning.

We do like to give our witnesses a chance to make some closing comments before we seat the next panel, I will start with you, Dr. Vedder.

Dr. VEDDER. Yes, well, thank you. Higher ed is an unusual industry. It does not have the incentives, it does not have the market discipline, it does not have the forces of innovation. Institutions like tenure can stifle initiative as well. Resources, too many resources are going into non-academic pursuits in recent years. Mr. Carey mentioned the explosion of administrative staff as a good example of this. So there is serious need of reform.

The issue partly is where does the reform start from. Does it start here in Washington at the State level? Maybe it takes a little at both levels. I would concede that. We need to change incentive systems. Skin in the game is a great idea. Why don’t you do something, a little something on skin in the game? Why don’t you do a little experimentation on new approaches to learning, such as Mr. Carey suggested? I think this would be a good start. It is not the end of the story, but it is a good start.

And if you do not mind, Senator, in a minute I am going to have to go teach a class, which I am doing in Ohio, so I am still in the trenches on the other end of this, so if you do not mind, I will——

Chairman JOHNSON. We appreciate your chosen vocation. I also appreciated your discussion of certification versus degrees. I think that is another thing that we ought to be exploring. You are excused.

Dr. VEDDER. Thank you.

Chairman JOHNSON. Mr. Carey, I want to give you a chance for a closing comment, but because Dr. Vedder mentioned it, you talked about the explosion of the ratio of administration staff. You can maybe just answer that question in terms of what stat you have on that and then make your closing comment.

Mr. CAREY. Thank you, Mr. Chairman. I believe that strong public support for higher education is crucial for the Nation's future civic and economic prosperity, and I do believe the Federal Government has a role to play. I think if we look in history, from the 1865 Morrill Land-Grant Act to the GI bill, our measure to support for research funding, Federal investment in higher education that respects the diversity of the market and the autonomy of States, these have been wise choices.

I do think, however, that we are at a point where we lack innovation, we lack productivity. Our institutions have become somewhat decadent, frankly, and not focused enough on providing value to students, providing value to taxpayers, and focusing on student learning. I think there are some very straightforward actually Federal statistics that the Department of Education has gathered that show growing ranks of higher education administration and, as I said, fewer tenured professors, less money spent on instruction. I think that is a symptom of this larger problem. I think it is a symptom of the lack of innovation. And so my recommendation is that the Federal Government has an opportunity to, again, not run our colleges and universities, but serve as a catalyst for innovation by linking the aid that it provides to new markets and new providers of higher learning.

Chairman JOHNSON. Well, again, thank you, Mr. Carey, for your time, your testimony, and your answers to our questions. With that, we will excuse you.

Mr. CAREY. Thank you, Mr. Chairman.

Chairman JOHNSON. We will ask Secretary Mitchell to come up for the second panel.

[Pause.]

That was a quick changeover. I appreciate it.

Welcome, Secretary Mitchell. Again, we have a tradition of swearing in witnesses, so if you will please rise and raise your right hand. Do you swear the testimony you will give before this Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. MITCHELL. I do, sir.

Chairman JOHNSON. Please be seated.

Mr. MITCHELL. Thank you.

Chairman JOHNSON. The witness on our second panel is Mr. Ted Mitchell. He is the Under Secretary of Education, a position he has held since May 2014. He oversees policies, programs, and activities related to postsecondary education, adult career and technical education, Federal student aid, and other initiatives. He has previously been Chief Executive Officer (CEO) of the NewSchools Venture Fund, president of the California State Board of Education, president of Occidental College, and professor and department chair at Dartmouth College. Under Secretary Theodore Mitchell.

**TESTIMONY OF THE HONORABLE THEODORE R. MITCHELL,¹
UNDER SECRETARY, U.S. DEPARTMENT OF EDUCATION**

Mr. MITCHELL. Thank you, Mr. Chairman and Members of the Committee, for inviting me here this morning. And before I begin, Mr. Chairman, I would like to make two apologies.

The first apology is that if we have been less than responsive in your requests for information, that is not something that I want.

Chairman JOHNSON. No. Not at all. No need to apologize whatsoever. It is just like anything in the Federal Government, it is hard to get information that I do not have questions on.

Mr. MITCHELL. We like to be user friendly.

Chairman JOHNSON. Yes, OK. No apology necessary.

Mr. MITCHELL. The second apology is for the confusion about the two panels this morning. I apologize. But I am also grateful for the opportunity to engage with the panel directly, so thank you for your understanding.

I appreciate the opportunity to testify today on the Department's goals for higher education. As I think you all know, we have been working diligently to achieve a stronger, more prosperous America, as you have, with the goal of reclaiming our place as the Nation with the highest proportion of college graduates in the world.

As an agency, we have established a goal of increasing college completion by improving access, affordability, and student outcomes.

A generation ago, America led the world in the proportion of adults 25 to 34 who are college graduates; today, we are 12th. But by 2020, George Washington University estimates that 65 percent of job openings will require some postsecondary education or training. Today, therefore, a great education is not just what every parent wants for his or her child. It is a necessity for individual financial security and national financial security in a globally competitive economy. And, moreover, it is important, critical, for the health of our democracy.

Whether it is a 2-year or a 4-year degree, a certificate, or a career and technical training program, some form of quality postsecondary education is the gateway to opportunity and the middle class, and our objective is in administration.

We cannot have substantial economic mobility in this country without equal opportunity to get a high-quality education. Since 2009, the administration has worked with Congress to increase Pell grants by more than \$1,000 a year. We have also worked with Congress to create the American Opportunity Tax Credit. By increasing direct support to low-income students, we are making it easier for students to achieve their college dreams and our national interest.

We have significantly simplified the Free Application for Federal Student Aid. Today, students and families on average fill out the FAFSA in about 20 minutes. And starting in October 2016, students and families will be able to apply for financial aid just as the college application gets under way rather than have to wait until January.

¹ The prepared statement of Hon. Mitchell appears in the Appendix on page 00.

Students filling out the FAFSA will be able to electronically retrieve tax information filed for an earlier (prior) year. This will mean a reduction in the number of applicants who need to estimate their income or taxes paid, only to have to correct their application later. This will also result in a significant burden reduction for institutions.

As you have heard, the Department released a new College Scorecard, which focuses on a few key critical measures of institutional performance to provide students and their families with critical information about cost and student outcomes. While no single measure is perfect, we believe the Scorecard will help drive the conversation forward on access, affordability, and student outcomes and create a kind of public accountability for institutions that has been lacking.

At the back end of the college-going process is a part of the administration's call for the student borrower bill of rights. The Departments of Education and Treasury are working together to determine the feasibility of developing, for example, improvements in the recertification process for borrowers and income-driven repayment plans and, more generally, improvements in loan servicing.

Our Federal Student Aid Office has initiated targeted email campaigns, for example, to borrowers regarding available repayment options and has moved to an incentive-based pricing structure for Federal loan servicers to ensure accountability, to provide more effective borrower counseling, and outreach to the borrower community.

We have proposed to address the affordability issue through America's College Promise, sponsored by two members of this Committee, a proposed grant program for States to make community college, both technical training and transfer programs, free for responsible students, enabling them to earn a certificate or an associate's degree without paying tuition and fees. In return, States must continue their investment and community colleges must adopt innovative practices and improve student outcomes. But as you have heard, between 2009 and 2014, 47 States cut their higher education per student spending by an average of 13 percent. Over the past 25 years, State per student spending is down 25 percent after adjusting for inflation. And this matters most, Mr. Chairman, because 72 percent of undergraduate students enroll in public institutions across the country. That is an example of what we believe as an administration that everybody has their part to play. The Federal Government has their part to play, States have their part to play, and certainly, as the previous witnesses discussed, institutions have a role to play in cutting costs and increasing quality.

Our Department is using Federal dollars to seed new approaches at the institutional level to help with this innovation problem and to build a stronger body of evidence about what works and to help to scale those innovations.

The good news is that our efforts have begun to move the needle. As you know, our high school graduation rate is at its highest point in history. Enrollments in college are growing among minority and first-generation college students. And so we are pleased to say that our quarterly Administration Priority Goal report to you confirms

that we are on track to meet our goal for increasing the proportion of adults obtaining a postsecondary degree.

At the Federal level, we view all of our efforts to improve college access, affordability, quality, and completion through the lens of transparency, accountability, and innovation.

Thank you again for the opportunity to speak with you today about the administration's goals for higher education. I would be happy to engage in a conversation, answer questions, and hear comments, Mr. Chairman.

Chairman JOHNSON. Thank you, Mr. Secretary.

Let us start right with affordability because I think that is a huge—

Mr. MITCHELL. Yes.

Chairman JOHNSON. That is the problem. I have seen different numbers, pointing to the fact that the cost of one year of college has increased somewhere 2.5 to 2.8 times the rate of inflation from the 1960s to the 1970s to the present day. Is that in line with what you see as well? Are those pretty accurate figures?

Mr. MITCHELL. So we think that—yes is the short answer. We believe that college price and college cost have risen. We know that they have risen greater than the inflation rate. We are quite concerned about that. We are concerned that it is stifling access to students and families who look at a sticker price and say, "I cannot afford that," even if perhaps they can. We hope the College Scorecard will help them with that. And we are quite concerned that the incentives continue to be misaligned, which is why I think the Secretary was so clear in his speech in July that we need to refocus the system on outcome.

Chairman JOHNSON. I am looking at what has caused that. Mr. Carey certainly talked about—and you reference that as well—there has been a reduction in State aid to the public institutions, so that explains part of that. But it does not explain why private institutions, and I do not think it explains all of the increase in the cost of college at public institutions as well. I thought Mr. Carey's testimony was pretty stark when he talked about the mismatch between supply and demand, how the demand for college has increased at 111 percent but the supply has only increased about 14 percent. His theory, his explanation, was the fact that the accreditation agencies really are a barrier to entry for additional entrants—in other words, increasing the supply, increasing innovation, when you have a competitive marketplace—I participated in it for 30-some years. I would have loved to have been a monopoly, but because of competition, my prices were definitely constrained, as well as my quality was higher and so was customer service. So competition really works.

What is your theory as to why the supply has only increased at 14 percent but the demand has increased 111 percent? Generally in a marketplace, supply would definitely catch up, particularly after decades, with the demand.

Mr. MITCHELL. So I think that there has been historically a mismatch between supply and demand. I think that in a classic economic sense, the barriers to entry to new providers have been high. Accreditation is a part of that. So has been our model of what a college is, and I think the good news is that we are moving—Sen-

ator, at your point, we are moving away from a place where we believe that every college has to be made of brick, have a lot of ivy, have a football stadium. And so there are diverse models that are emerging.

Chairman JOHNSON. With the Federal Government controlling the accreditation process and also the financing process—and those are completely related—we are not going to have to kind of break that monopoly and figure out a different model in terms of accreditation, possibly certification? Our previous witnesses were talking about certifying courses versus necessarily accrediting a degree. Just kind of speak to those innovations.

Mr. MITCHELL. Sure. So, again, we have, Senator, as the Secretary said in his July speech—and I have often spoken about the need to reform accreditation. The irony in the accreditation process is that it is both too rigid, standing in the way of innovation, and too flexible, accrediting institutions whose student outcomes are deplorable. And so we need to find a new balance there, and we are eager to take up that challenge and working on a set of proposals for Congress that will help us do that.

In many ways, the accreditation approval process is controlled by a governing statute and governing legislation, so we will need your help. We will need your help to be able to focus more rigorously on student outcomes. We will need your help to be able to take Pell grants and make the delivery of Pell more flexible, to Senator Ayotte's point. And in between now and then, working with Congress, we have developed a series of experimental programs about new ways of delivering Pell, new ways of thinking about program delivery. But I want to agree with you straight down the line that the accreditation process needs to be changed. It needs to be both more rigorous around student outcome and more flexible around innovation.

Chairman JOHNSON. OK. When you look at the history, about 20 years ago the outstanding level of student loan debt was about \$100 billion. Now it is around \$1.3 trillion, depending on which figures you are looking at. That is really concerning to me. Do you view that as a metric of success? Obviously, those student loans have certainly made college accessible, but as the Federal Reserve Bank of New York States, for every dollar that goes in, about 65 cents—it has increased tuition about 65 cents, so a 65-percent increase. Aren't we just ballooning—with the limited supply, the price of college and as a result our students, our young people are left with this debt burden as they enter their productive life? It is an enormous challenge for them.

Mr. MITCHELL. It is an enormous challenge for them. The good news is that the data shows that a college education—whether it is a certificate or a 2-year degree or a 4-year degree—is the best investment an individual can make, and we feel strongly it is the best investment that a nation can make. So that \$1.3 trillion investment we have made is an investment in individual students' livelihoods, and it is an investment in our economic future. We need those young people to get the skills that will put them into the right manufacturing jobs or put them into the right computer science environment or the right business entrepreneurship program. So we see that as an investment that is going to pay divi-

dends to individuals and will be responsible for continued economic growth in America.

In terms of the debt burden to students, I think that this is why we have been so tightly focused on creating new repayment options for students so that perhaps in those early years, when they are not settled in a career, they are able to be in an income-based repayment program that will allow them to make payments against their student loan, but not the kind of payments that will cripple their participation in the—

Chairman JOHNSON. That is kind of putting a Band-aid over the problem. I just want your comment on these studies that show that 40 to 50 percent of recent college graduates are either unemployed or really employed in a position that really requires no college education at all. How concerned are you about that? What is your explanation for that?

Mr. MITCHELL. So I think that we need to put some periodicity to that, that those recent college graduates have entered the labor market in one of the most challenging periods of the last 100 years. We see that beginning to even out in positive ways, but we also believe—and you made this point in your opening remarks, Mr. Chairman. We also believe that there has been a mismatch between a general one-size-fits-all higher education program and an economy that demands very differentiated skills and knowledge. So that is why we are very pleased to be supporting and looking at programs that are shorter in duration, programs that are competency-based, that directly link what students are learning to the needs of employers, and most powerfully, in community colleges, where those community colleges can see the needs of the local labor market and develop programs that reach out and are able to touch—make the bridge between what a student is learning and what an employer needs.

Chairman JOHNSON. OK. Well, thank you, Mr. Secretary. Senator McCaskill.

Senator MCCASKILL. Yes, thank you, Mr. Secretary, for being here.

Mr. MITCHELL. Thank you, Senator.

Senator MCCASKILL. I am going to start with student loan servicer allotments. We now have metrics that show that the not-for-profits are doing a better job of collecting on their loans than the for-profits. For example, Nelnet received 13 percent of the new loans and has a repayment rate of 64 percent, while MOHELA, one of the not-for-profits, has a 92-percent repayment rate, but they only have 6 percent of the loan allotment.

I am trying to figure out where this 25-percent cap on the allocation of loans for not-for-profits came from. You all did that on your own. What in the world would have been the motivation to arbitrarily decide that the not-for-profits were only going to get one-fourth of the loan servicing agreements?

Mr. MITCHELL. So as we moved from the previous system to direct student loans and a multiple-servicer platform, we wanted to make sure that the various different servicers had an opportunity to integrate with our system to be able to show what they could do and then for us to be able to move and recompetete with everybody on a level playing field. And we believe that the not-for-profit

servicers have fully integrated into our system or systems. We believe that they are connected with their borrowers in important ways. And we look forward to seeing them compete on a level playing field when we——

Senator MCCASKILL. So we are going to make news today? We are dropping the 75-percent cap?

Mr. MITCHELL. No. When we recompute the contract at the end of 2016.

Senator MCCASKILL. So we have to go for another year and a half arbitrarily? Why don't you just drop the cap now and open it up for new loans? I mean, they are better at it.

Mr. MITCHELL. We think that the system that we have is going to work through the end of the year, and I misspoke. January 2016 is when we——

Senator MCCASKILL. Oh, OK. Just the end of the year. So what you are saying is there will no longer be an arbitrary cap between nonprofits and profits as of next year?

Mr. MITCHELL. I cannot say that definitively, but I can say that we are looking at the process of recompeting the contract in——

Senator MCCASKILL. OK. Well, I am anxious to know when you can say it definitively, because I do not get it. I do not get why there would be—this should all be on metrics. You have a track record now. We should be giving the loans to the ones who are doing the best job of collecting the loans, period.

Mr. MITCHELL. And that is why we have moved the compensation structure for the servicers to one that absolutely rewards that kind of success.

Senator MCCASKILL. OK. Where does one go when they have been abused or mistreated by their servicer?

Mr. MITCHELL. One goes to the student loan ombudsman, and that is a short-term solution for us because, as the President's memorandum that announced the student borrower bill of rights indicated, we will be working on a brand-new complaint—are working on a brand-new complaint system that will be better integrated than the ombudsman program is, modeled on the Consumer Financial Protection Bureau (CFPBs) system, and we anticipate having that up and running next July.

Senator MCCASKILL. OK. Could I get data on how many complaints you all are getting through the ombudsman?

Mr. MITCHELL. Sure.

Senator MCCASKILL. I am hearing horror stories, I mean just unbelievable horror stories.

Mr. MITCHELL. Sure.

Senator MCCASKILL. The payment changes, and then the servicer takes out the new payment but continues to take out the old payment, after being continually recontacted. And imagine how that wreaks havoc on someone's life, that all of a sudden they have X amount of income a month, and the loan servicer is taking double the payment out, and they cannot get them to stop.

Mr. MITCHELL. Right. So we hope that those are aberrations. We would like to know each and every instance of that if we do not already.

Senator MCCASKILL. Well, I am asking people to submit their horror stories to my office, so I am thinking we will have a nice list for you.

Mr. MITCHELL. Well, great. If you could send those to us, we—

Senator MCCASKILL. Because I just think it is really frustrating, when someone is trying to do the right thing and pay, to have incompetence greet them.

Mr. MITCHELL. May I add to that? Just yesterday, we issued a statement with CFPB and the Department of the Treasury on student loan servicing standards, and we by that want to both signal and say—

Senator MCCASKILL. Does CFPB have jurisdiction over these servicers?

Mr. MITCHELL. No, they do not.

Senator MCCASKILL. Who does?

Mr. MITCHELL. We do.

Senator MCCASKILL. Just you?

Mr. MITCHELL. Yes.

Senator MCCASKILL. OK. So you are asking them for help on how to do it?

Mr. MITCHELL. CFPB has jurisdiction if they violate the regulations of the Consumer Financial Protection Bureau or consumer law.

Senator MCCASKILL. Well, the horror stories I am hearing, I can guarantee you they are violating the laws of consumer protection.

Mr. MITCHELL. Then we need to hear this.

Senator MCCASKILL. Yes, because, a credit card could never get away with doing what these servicers are doing to these young people. These are mostly kids in their 20s that have gotten out of school and are trying to manage their loan payment along with all the other budget needs in their lives, and it is hard when they cannot get anybody to help them.

Mr. MITCHELL. We want that to not be the case. We want to be able to help them.

Senator MCCASKILL. OK. On campus sexual assault, one of the things we have looked at, when the Department of Education determines that a school has grossly mismanaged their safety responsibility on their campus, under the current law the only penalty available to the Department of Education is to take away their Title IV funding; in other words, require that that university no longer participate in any student loans. I know the answer to this question, but I am going to ask it rhetorically anyway. Has that ever happened?

Mr. MITCHELL. It has not.

Senator MCCASKILL. And, of course, it has not. This is like me saying to my kids, "If you do that again, I am never going to speak to you." I mean, my kids know better. They know I can love them unconditionally, and as mad as I might be, I am going to speak to them again. No college or university in the world believes you are going to penalize all the innocent students on that campus by removing their ability to get student loans. So isn't that a meaningless penalty?

Mr. MITCHELL. Our experience has been different, Senator, and we would not measure our success by the number of institutions

we have eliminated from the Title IV program, but instead by the real creativity, real bravery, and real honesty that has come about in the settlements that we have secured with institutions.

Senator MCCASKILL. But, ultimately, these settlements take years, Secretary. I mean, I am very familiar with the settlements you have been in. I am very familiar with the long list of institutions you are investigating. I am very familiar with the inefficiencies that are embedded in your current system, and I know you guys are worried about not holding on to that system. But in my experience, a deterrent only works if it is a realistic penalty. And they may be entering into negotiations because of the press associated with the problems on their campuses, as nothing is more difficult for a university than publicly being chastised for not protecting young people from sexual assault. But I do not think it is because of a threat of a penalty, because none of them take it seriously in terms of it actually being imposed. Don't you understand that it might be even more efficient and these negotiations might even go more quickly if there was some kind of interim penalty in the form of a fine that might be imposed?

Mr. MITCHELL. And as you know, have been in discussion about interim penalties. That is something that we are quite—we are open to discussing. We do feel very strongly, as you do, that we as a Federal Government need to protect the civil rights of people on campus by insisting that institutions protect young men and women from assault. We feel very strongly that this has been an underreported problem, an underprosecuted issue, and we are very, very proud of our enforcement efforts to be able to bring these issues to light and to use the tools that we do have at our disposal to create real change on college campuses.

Senator MCCASKILL. Well, I appreciate that, and I appreciate how hard your agency has worked with us in crafting the legislation. Thank you, Secretary.

Mr. MITCHELL. Thank you, Senator.

Chairman JOHNSON. Thank you, Senator McCaskill. Senator Lankford.

Senator LANKFORD. Thank you. Mr. Secretary, thank you as well for being here.

Let me follow-up on what Senator McCaskill was talking about as well on the not-for-profit loan servicers. It is my understanding that in September, just a few weeks ago, there was a one percent increase from 25 percent for not-for-profits to 26 percent for not-for-profits. Is that correct?

Mr. MITCHELL. I do not know that specifically.

Senator LANKFORD. Well, it was announced on September 1st that there was a one percent increase. What I wanted was clarity. Does that start next year? Is that this increase or this possibility for 2016 that it will go from 25 to 26 percent? Or is that current right now?

Mr. MITCHELL. That starts right away.

Senator LANKFORD. So that is right away. So then there will be another reevaluation for 2016, starting in January 2016, for these not-for-profit loan servicers.

Mr. MITCHELL. And to be clear, 2016 will be a recompetete for the broad arc of our servicing contracts, yes.

Senator LANKFORD. OK. And that would begin in 2017? Or when would that begin then?

Mr. MITCHELL. It would begin before 2017. We will do it as quickly as we can. We will open the contracting process, and the vicissitudes of the Federal contracting process.

Senator LANKFORD. I do.

Mr. MITCHELL. We will move as quickly as we can.

Senator LANKFORD. Which makes it important that this decision is made as fast as possible on this percentage, because, again, I go back to the metrics. The metrics are clearly in favor of the not-for-profit loan servicers, and we are still trying to figure out how the decision was made, even, that 25 percent, and then the decision was remade to say, no, it will be 26 percent. Is there any evidence that we can get of the process of making the decision to go from—to set it at 25 percent in the first place, and then to say, no, 26 is a better number, 26 percent. How was that decision made?

Mr. MITCHELL. So I am not familiar with the move from 25 to 26. I will find out. But, overall, I need to say that we are content with the rough allocation that we have now, and we will continue that allocation through to the recompute process.

Senator LANKFORD. I would say there are a lot of folks that are not content with that allocation. That makes it very difficult for not-for-profits to have such a small portion. It is not sustainable in their business model to be able to actually do that, and the concern is that in long term those folks will just be driven out. And those folks have very good metrics.

Let me move on to another process-type question, and that is, guidance. What is your process in making a decision when you are discussing whether you are going to do a guidance document or regulation? Is there a written-out process that you have in place to say if all of these things or even if one of these things is true, then that needs to be a regulation?

Mr. MITCHELL. So we are guided by the Office of Management and Budget (OMB) bulletins and by our own Office of General Counsel (OGC), and the bright line, as I believe my colleague Amy McIntosh told you last week, is that for us if there is a statement that we want to make, a statement, or an area we believe needs to be investigated and where we need consultation with the field that will result in having the force of law, we believe that at that point we are bound to enter into rulemaking.

Senator LANKFORD. All right. Clearly, the bright line is if it is binding, then that is a regulation.

Mr. MITCHELL. That is right.

Senator LANKFORD. The challenge that I hear over and over again from institutions of higher education is they have a tremendous number of guidance documents that are coming to them, and they do not feel the freedom to be able to come back to Education, the Department of Ed., and say this smells a lot like a regulation to me because this is also where a stream of funding comes from, and so they feel like they have to take it, where other entities, obviously private businesses, they get a guidance document come down, they file lawsuits, and they challenge and they push back on it. Institutions of higher education are actually leaning back and

saying, “I do not feel the freedom to be able to challenge this for fear that we will also have other things.”

Now, I am sure your answer is, “They should not be afraid of us. We are their friends.” But I would tell you they are very concerned not only the way the regulations are coming out but the frequency of those regulations, and the pure cumulative result of that is they are drowning in guidance documents—and “Dear Colleague” letters is actually how they are coming from you—and the sheer number of “Dear Colleague” letters, they feel like they cannot challenge.

Mr. MITCHELL. So let me say that I hear the same things when I talk to my colleagues in higher education, and in each of those conversations, I do try to reiterate what Amy said last week and I will say again. Our guidance does not hold the force of law, and our recommendations and illustrations of the ways in which we are interpreting the statute and the regulations, so we are happy, in fact, to continue in conversations with institutions of higher education—

Senator LANKFORD. The hope is that this can be an ongoing dialog, because they feel like the “Dear Colleague” letter shows up, and they did not have input, unlike a regulation where they have the opportunity to be able to write in and say when you do this, make sure you consider this. The “Dear Colleague” letter shows up, and they assume someone had input, but they were not in the clique group that got to have the input on it. So that is a bigger issue that we need to deal with.

You mentioned about accreditation earlier, and the Chairman has brought this up in his line of questioning about accreditation, which is incredibly important to us. We want to have greater innovation in accreditation. You had said that there are some recommendations and proposals that you all are in the process of putting together to bring to us. When should we expect those proposals?

Mr. MITCHELL. By the end of the year.

Senator LANKFORD. By the end of this year?

Mr. MITCHELL. Yes, sir.

Senator LANKFORD. OK, great. Will that come to this Committee, to the HELP Committee? Where will that come?

Mr. MITCHELL. We are still figuring out exactly how—the shape of those recommendations, and so the recommendations will determine the—

Senator LANKFORD. OK. Well, please include us in that, at least with a carbon copy. How about that?

Mr. MITCHELL. Of course.

Senator LANKFORD. Because we are obviously very interested in this as well, and this is a long-term issue for us.

You also mentioned about student outcomes and trying to measure that. Can you give me an idea of some of the metrics that you are able to put together to be able to measure student outcomes?

Mr. MITCHELL. Well, I think—I want to go back to the basics. The Federal Government is not and should not be in the position of determining for 7,000 institutions of higher education what their outcomes are.

Senator LANKFORD. Right.

Mr. MITCHELL. The diversity of American higher education, the varied missions of our institutions are all critical to the health of higher education in the country. So rather than stipulating either specific outcomes or levels against those outcome measures, we would like accreditors to be much more serious than they are about asking institutions how they are measuring their outcomes and hold them accountable to—

Senator LANKFORD. To their own metrics.

Mr. MITCHELL. To those metrics. But I would suggest, as we have looked at the use patterns of the College Scorecard, graduation rates, employment rates, repayment of student debt rates are things that are very interesting to students and families.

Senator LANKFORD. Right. It seems to be the repayment of loans ends up being the biggest issue because obviously there is the Federal exposure there with the tremendous number of student loans that are federally backed student loans. So that seems to be the primary issue, which drives me back to the conversation that we have: Is the focus about trying to get greater student loans and greater student repayment? Or is it about getting greater innovations so college does not cost so much? And it feels like on this side—and you can tell me how I am wrong on this—has been how do we get more loans, more Pell grants, more emphasis out there, and then make sure that we are holding these schools accountable so they land jobs so they can repay the loans that we did, rather than saying how do we back up and create more innovation so college does not cost so stinking much and many of our middle-class families back up immediately and say, “There is no chance I can ever get there, no matter how many loans,” or, “I do not want to have a \$100,000 loan at the end of it.”

Mr. MITCHELL. Yes.

Senator LANKFORD. So it looks like we are pushing in the wrong area. We are pushing on banks, calling banks predatory and putting all kinds of new regulations on banks on campus. We are pushing on loan servicers. We are pushing on all these other areas rather than pushing the accreditation side. And how do we create more innovation so we have less expensive options for people?

Mr. MITCHELL. Got it.

Senator LANKFORD. So tell me where I am wrong.

Mr. MITCHELL. I do not think that those are mutually exclusive. I think that we have to protect against the downside risk on the loan side, and I think that that is why we need to continue to do all we can on financial literacy, that issue that has come up, to help people understand how best to manage their own loan portfolio.

We need to be sure that we are holding institutions accountable to giving people the education that they need to make a living and pay back those loans. That is why our gainful employment regulation is so important.

We need to make sure that there are a variety of repayment plans and that our servicers are doing a great job of helping borrowers pick the right plan for them. That is all at the back end.

On the front end, we are and must continue to support innovation. The good news—and I think it differs a little bit from what you—my view differs a little bit from what you have heard this

morning—is that there is tremendous innovation afoot, even in the existing infrastructure. Arizona State just announced a partnership with edX that Kevin mentioned to provide a complete freshman year online. Southern New Hampshire University has created a subsidiary called “College for America” that offers one year of college for \$2,500, part online, part in-person. Georgia Tech has a \$7,000 master’s program in engineering. These are examples of intense innovation under way to create opportunities, pathways for students.

While I am on that point, each of those institutions is not only looking at creating pathways for traditional 18-to 24-year-old students. These programs—the partial online programs, the competency-based degree programs, the cafeteria approach programs—they are particularly designed to meet the needs of working moms, returning veterans, fully employed workers, or workers who have been displaced. Those turn out to be the new majority students in American higher education.

So we are doing all we can to support those innovation efforts. One of our great programs is the First in the World Program where we provide grant support: innovation grant support to institutions that want to create better access and opportunity, better completion rates for first-generation and underrepresented students. And so we are able to seed that innovation through funds that you provide.

Unfortunately, Congress has suggested zeroing out that program. We think that that would be a tragedy. It would cutoff innovation at its very bud.

Senator LANKFORD. Well, we look forward to getting a chance to see the recommendations. Will all these issues come up in this January report that is coming to us?

Mr. MITCHELL. We are likely to engage with you in the budget process, we are likely to engage with you in the reauthorization process, and we are likely to engage with you in specific pieces as well.

Senator LANKFORD. OK. I yield back.

Chairman JOHNSON. Senator Peters.

Senator PETERS. Thank you, Mr. Chairman, and thank you, Secretary Mitchell, for being here.

Mr. MITCHELL. Senator, thank you.

Senator PETERS. I actually want to continue on some of the themes from Senator Lankford in innovation, making sure that folks have the opportunity to afford education, to get into education, and particularly for some of the students who I think have not been the focus of many in the educational community when it comes to having access to higher ed.

Earlier this week, I visited Cody High School in Detroit, and the Cody Rouge community there in Detroit is really working very hard to reinvent how we think about high school and what school offers. In fact, as I was there, I learned that many of the Cody students, when they graduate from high school, have the certifications necessary to be an Emergency Medical Technician (EMT), to get into firefighter training or be firefighter certified, to really have a first step up on their postsecondary careers.

And, similarly, as you are well aware, dual and concurrent enrollment in early college programs has been proven to increase access to higher education and dramatically help the affordability of education as well. So if we are able to shorten the time that it takes for someone to get a degree by being in a concurrent enrollment in high school, that is a good thing. It will also help with the transition for someone, particularly first-generation folks where they get an introduction into that transition out of high school and into a postsecondary situation. Although it seems like we have focused a great deal on advanced placement, and we have international baccalaureate programs to help students, which are all wonderful things to do, I think you need to have a fairer playing field for other folks who may not—that may not fit an advanced placement (AP) program and an international baccalaureate, and yet they need postsecondary education training and concurrent enrollments to do that.

So if you could expand a little bit on what the Department of Education is doing for concurrent enrollment, how can we expand that? Are there ways that Congress can help you in this mission? Because I see it firsthand every day in my State and how they can transform young lives who might otherwise be left behind.

Mr. MITCHELL. Sure. Thank you, Senator. We completely agree with you about the efficacy of dual enrollment and early college programs. We think in both of the ways you suggest—one, accumulating college credit and, two, accumulating cultural knowledge about college and just being able to see yourself in a college environment—is critically important to low-income and first-generation students. So we have been big supporters of dual enrollment, concurrent enrollment, and early college high school—in fact, to the point that in 2013 we launched and had in our budget the High School Redesign Initiative to encourage high schools to develop, if they had not, or expand, if they had, dual enrollment in early college programs.

Similarly, in our Race to the Top program, a number of States came forward with very aggressive plans that we supported to move forward dual enrollment in early college programs.

In the last several years, we have paid attention to early college and dual enrollment through our College Opportunity Summits where we have called together colleges and, in the last year, colleges and high schools and community colleges within a region to talk about how they are going to commit to developing pathways through their system. And so the good news is that we have dozens of commitments on the books from high schools, community colleges, and 4-year colleges to build on and expand their dual enrollment programs.

The tools that we have are limited at the moment, but I think that Senator Ayotte mentioned using Pell in different ways or in short-term training programs. And in a similar vein, I think that your help in making early Pell available to students enrolled in dual enrollment or early college high school programs would be an example of a way that Congress could act to put dollars behind what is, again, a very efficacious program for students.

Senator PETERS. Would the use of grants, as well, help some of these high schools and colleges be able to develop these programs?

I assume there are some resources necessary. Federal grants would be helpful, I assume.

Mr. MITCHELL. If we could put together a grant program to support that, that would be great. The other thing that you know well from your State is that even in advance of America's College Promise, when communities are coming together to build their own Promise programs, Kalamazoo being the oldest and grandest of all of them and the best evaluated, oftentimes those programs lash up private support to provide funding for dual enrollment and early college high school, too. So I think that this is a case of all of the above.

Senator PETERS. And when you mention Kalamazoo and others, the strength of public-private partnerships, particularly when it comes to this issue, I think is clearly demonstrated work and are necessary if we are going to address this issue.

Mr. MITCHELL. Exactly.

Senator PETERS. Thank you so much for your testimony.

Mr. MITCHELL. Thanks for your support.

Chairman JOHNSON. Senator Carper.

Senator CARPER. Thank you.

Mr. MITCHELL. Ranking Member, may I say thank you? Before you begin, thank you for inviting me today.

Senator CARPER. We are happy you are here. Thanks so much for coming, Ted.

First of all, let me just say, you were here—I know you were here for the first panel, and I thank you for sitting in and listening. One of our witnesses—in fact, our second witness—spoke near the end of his testimony, and he went through—it was Mr. Carey. At the end of his testimony, he went through, I thought, a really interesting, almost like a checklist of things that we could do to get better results. Would you react to anything that he said that you thought was especially sound advice?

Mr. MITCHELL. I think that what—

Senator CARPER. A lot of what he said rang true to me, and I think to my colleagues.

Mr. MITCHELL. It did to me as well, and it rang true to me not only in this role but in my previous roles as a campus administrator.

I think most salient, though, is his injunction for us to experiment within boundaries.

Senator CARPER. Experiment?

Mr. MITCHELL. Experiment within boundaries.

Senator CARPER. OK.

Mr. MITCHELL. I think that it is very important that we do embrace the world of change in higher education around us, the radically different delivery modes that are now available, the short-term/long-term blended learning, online learning. I think it is time for us to do some strategic innovation, to measure what works, to then create policy that supports what works, to scale that around the country. I think that that is an obligation that we have as a government, and it is one of the things that I think really only we as the Federal Government can do because we are the gate holders to Federal financial aid, which is how this market gets built.

Senator CARPER. OK.

Mr. MITCHELL. I will—if I can?

Senator CARPER. Yes.

Mr. MITCHELL. I think that the one place where I would urge some caution on Kevin's checklist is regarding an overreliance on the growth of the number of administrators as an example of bloat in higher education. When I go around the country and when I look at the most successful programs in terms of providing opportunity to first-generation college students, minority students, and low-income students, there are programs that invest rather heavily in student support, and so I would not want us to mix that up with what I do agree is an overgrowth of other administrative categories.

Senator CARPER. Good. Sometimes in this hearing room I quote Albert Einstein, who said famously, "In adversity lies opportunity." And there is a lot of adversity here. We talked about some of the heartache and challenges that we face. But there is also opportunity here. And one of the things that my wife and I do whenever close friends or relatives have a baby, we send them a baby cup for the baby which is inscribed and a handwritten note to the baby, and I am going to start changing the note and urge the baby to open up a 529 at birth and urge the parents to solicit, whenever somebody is looking to make a donation or buy a gift for their child, birthday, Christmas, whatever it might be, think about just—forget about—make it easy, just make a donation to the 529. I know some folks who do this. You probably do, too. It is a very, very smart thing to do.

In our State and I am sure in other States as well, we have schools that try to think about ways to save money and offset the costs of higher ed, but schools offer advanced placement courses, and we are trying very hard to get more kids in advanced placement courses. Not every college or university will take APs, or will do well in the advanced placement test, but a bunch will, and that is a way to help reduce the cost of going to college. One of our students, one of our children was able to pretty well knock out the first year of funding because of doing well on advanced placement tests.

Delaware State University, a historically black college and university in Dover, Delaware, started up a new high school last year, grades 9 and 10—eventually it will be 10, 11, grade 12—and the great thing about the—they call it their "early college high school" at Delaware State University—is students can earn credit and be able—up to 2 years of college credit while they are in high school, from Delaware State University and from other universities as well.

We have in our State something called the Student Excellence Equals Degree program (SEED), whereby the folks can go literally, if they do reasonably well academically in high school, they can go to Delaware Technical Community College, a 2-year community college, pretty much free. And the administration has called for doing that as part of their national initiative.

We have a really good vo-tech high school in southern Delaware called Sussex Tech, and they have partnered with Widener University so that as students go through Sussex Tech, do well, they can

transfer earned credit to go to Widener should they choose to do that.

Senator Johnson and I and our colleagues have the opportunity to nominate kids to go to all the military academies, the service academies. We do that every year. I was a Reserve Officers Training Corps (ROTC) guy at Ohio State, and we have all kinds of ROTCs where people can get help.

When I was Governor of Delaware, we really strengthened the ability of the National Guard to pay tuition for folks that volunteered to serve in the National Guard. One of my sons did a pretty good job on his own, going out and finding scholarship money. Somehow if we can encourage people to do that and make it easy, not harder, that is helpful.

I worked a couple jobs. My guess is Senator Johnson worked jobs, and probably a lot of us worked—or you worked jobs in college, certainly in high school and in college as well. The best job I ever had was in college. I was a pots and pans man. I ran the Hobart dishwashing machine in the Delta Gamma sorority house. The best job I ever had.

There are all kinds of things that we can do. We can apply for Pell grants. We can serve in the military. And the great thing about the GI bill, the post-9/11 GI bill—we just sent off 300 men and women in the Delaware National Guard to Afghanistan a month ago, and I told them all when they were leaving at the departure ceremony, I said, “When you come back, most of you will be eligible for the GI bill. It pays your full tuition to go to college to any public school pretty much in the country. If you do not use it, your spouse can. If your spouse does not use it, your dependent children can.” And that is a great—a lot of families are just leaving that money on the table because they are not aware of the benefit or they are not taking advantage of it. So there is a lot we can do.

As my time runs out, I want to come back to a concern, a long-standing concern—it goes back 60-some years—about for-profit colleges and universities. Some of them do a great job, and some of them do not. It goes back to 1952 when the 85–15 rule was first established that I talked about. And today we have created under the 90–10 rule a loophole which allows a private college or university really to realize all the revenues from the Federal Government, which I do not think is healthy. It does not harness market forces. The reason why we had the 90–10 rule was to try to harness market forces so we did not have to have all this accreditation and rules and so forth, and regulations. Markets, market forces, would actually help make sure that if schools, private colleges and universities were not doing a good job, then, we would learn from that, and the kids would not go to those schools.

What should we do about the 90–10 rule? What should we do out it?

Mr. MITCHELL. Thanks, Senator, and I want to come back to one of the themes in your remarks a moment ago, but first on 90–10, we think 90–10 is wrong. We think the loophole is wrong. We want to fix it. We are grateful for your work with your colleagues to move us in that direction.

We believe that it is appropriate to have a threshold for Federal dollars, but that that should include all Federal dollars.

We think that one of the ways that the market distortion that you talk about has acted is by putting a bull's eye on the back of veterans' backpacks, and we think that there have been different kinds of bull's eyes on their backs for too long and they need to get great information about which programs are going to serve them well, and they need not to be targeted by unscrupulous for-profit institutions who simply want the GI bill money. We think that that is wrong for the country. We think it is a tragedy for our veterans. We need to do better.

Senator CARPER. Amen. Thank you.

Mr. MITCHELL. Thank you.

Chairman JOHNSON. Thank you, Senator Carper.

By the way, that is an experience we share. I started my tax-paying working career as a dishwasher in Walgreen's grill. Learned to tolerate heat on your hands, right?

We will give you an opportunity to just make a closing comment here. I did want to pick up on a point that Senator Carper was alluding to with AP classes. I have certainly seen that with my own kids and a lot of their friends. A lot of these kids are starting college, sometimes with a year's worth of college credit, and yet I have seen reports—this is what I really want to get to in terms of metrics—where on average it is taking students right now $5\frac{1}{2}$, almost 6 years to complete a 4-year degree. Is that, similar to the metrics you are seeing? Can you provide any kind of explanation for that? Then you can go right into any kind of closing comment you would like to make.

Mr. MITCHELL. Sure. Fair enough. So I think that this goes back to the comments that I was making about the new normal college student. The new normal college student is balancing work, perhaps family, other obligations, and so it is generally taking them longer. The pure 18- to 22-year-olds who are starting college continue to finish in the 4-to 5-year range at about the same rate. The growth at the other tail is largely working adults.

That does not mean we should not worry about it. I think it is why we need to invest more and innovate more in programs that reach students where they are and take them to where they need to be. And that is where the University of Wisconsin's flex program, for example, is such a shining light for us.

Let me wrap up by saying a couple of things.

First of all, as I said at the outset, we continue to believe that a college education, whether it is a 4-year degree, a 2-year degree, or a certificate in a technical field, is the best investment an individual can make and the best investment that we can make as a Nation.

There is a lot that we can improve about higher education, and there is a lot we can improve about the delivery and the oversight of higher education. In America, we are always looking to improve. We are always looking for what is that thing that we can fix. And today's conversation has been a great opportunity to engage in just that prototypically American dialog.

For me, I have never been more excited about the future of American higher education. I am excited by the diversity of the students who are coming to the doors of colleges and universities looking to improve their lives, looking to live out the American

dream. I am excited by the institutions that are responding to the challenges of innovation and that are providing opportunities for those students. And I am excited by the opportunity to work together with this Congress in the time that we have left to take the next steps to building an innovative, creative, accountable, and high-quality education so that access, affordability, and quality come to life every day in the lives of students in our colleges.

Senator, thank you for the opportunity.

Chairman JOHNSON. Well, thank you, Secretary Mitchell, for your testimony and answers to our questions.

With that, the hearing record will remain open for 15 days until October 15th at 5 p.m. for the submission of statements and questions for the record.

This hearing is adjourned.

[Whereupon, at 11:58 a.m., the Committee was adjourned.]

A P P E N D I X

Opening Statement of Chairman Ron Johnson “A Review of the Department of Education and Student Achievements” September 30, 2015

As submitted for the record:

Good morning and welcome.

Effectively educating our nation's students, ensuring they have the tools and means to succeed, is one of the most important things we can do as a country to build a strong economy. And the federal Department of Education (ED) plays no small role in our country's education system with, by its own description, “programs that touch on every area and level of education.” That amounts to 50 million elementary and secondary students, and some 20 million college students.

In two weeks, it'll be exactly 36 years ago that President Carter signed the law establishing the current Department of Education as a cabinet-level agency. It was in fact this committee that reported out that legislation, so it is fitting that we are conducting this oversight on the department, taking a macro look at the interaction of federal policy and students. And we're doing so on the eve of a new fiscal year, no less.

In total, \$1.53 trillion (in current dollars) has been spent by the Department of Education since its inception in 1980. In that year, annual appropriations were \$14 billion. Last year, we spent more than that on Title I funding alone, and twice that amount on Pell Grants. FY 2015 appropriations totaled \$87.4 billion: \$37.1 billion on elementary and secondary programs, and \$43.5 billion on postsecondary. Are we seeing commensurate improvements in learning? That's what we are here to find out. I have a number of questions about our education system: the successes, the failures, and the unintended consequences.

- Between 1980 and 2011, we've increased per pupil public school spending (at all levels) by 367 percent (78 percent in inflation-adjusted terms). Why do NAEP scores in reading and math for seniors remain relatively flat through all that time? What can we do to make sure these additional resources go to improving learning?
- On higher education, our children have become increasingly indebted, year after year, in order to attend college and earn a degree. This debt now totals over \$1.15 trillion. Who will ultimately bear the cost of this rising debt? Whose kids and grandkids will be saddled with its lasting burden?
- Since 1963, the price of college has increased by 1,850 percent – more than two-and-a-half times the overall price level. Why has it increased so fast, so consistently? Doesn't this erode the return on investment in college? At what point does college simply

become too expensive to be worthwhile, and what can be done to prevent us reaching that point?

- Economists at the Federal Reserve Bank of New York recently found that up to 65 cents of every dollar increase in federal subsidized loans is passed through in the form of higher tuition costs. Does our current federal student aid system have the unintended consequence of raising college costs, which in turn requires more debt to finance, creating a vicious cycle for students and families?
- \$452 billion (one-third) of the \$1.3 trillion lent to students by the federal government over the last 20 years is for graduate and professional programs. As the New York Fed's Director of Research pointed out recently, one of the major factors driving this increase in student debt is "students are staying in college longer and attending graduate school in greater numbers, and loans to finance graduate study have become more readily available." Now some propose that federal taxpayers help relieve this debt. Is it fair that all taxpayers, including those without any college degree at all, would have to pay off the debts of people with high levels of education, even those with elite levels of education?

In business, regular reviews of a department or unit's performance, by laying out budget realities and assessing progress on strategic goals, is a normal occurrence. I'd like to see such reviews become more common in the federal government as well. It's with that goal in mind that we're holding today's hearing.

Thank you. I look forward to your testimony.

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Statement of Ranking Member Thomas R. Carper
"A Review of the Department of Education and Student Achievement"
 September 30, 2015

As prepared for delivery:

I want to thank Chairman Johnson for holding this important hearing today.

As a parent and as someone who has had the honor to serve Delawareans at both the federal and state level, few issues have been more important to me—and continue to be more important to me—than raising student achievement and improving the quality of our nation's schools. Similarly, there are few issues more important to the future of the United States than equipping our nation's students with knowledge and skills they need to compete successfully with the rest of the world.

If we're serious about winning the competition for jobs in a global economy in the 21st Century, we need to start by out-educating other nations. Today's hearing offers us a gut check, particularly when it comes to higher education.

We no longer lead the world in producing the highest percentage of college graduates. Total outstanding student loan debt has surpassed \$1.3 trillion. And the ever-increasing costs of higher education have increasingly forced low- and middle-income students to take on oftentimes unnecessary amounts of debt just to stay competitive with their peers, both domestically and abroad.

In my mind, we need urgent change. I look forward to hearing from each of our witnesses about what they think that change should look like.

I mentioned out-educating other nations. That isn't limited to college education, though that's a big part of it. We also need to look at improving education every step along the way, beginning at the earliest years through high school and college graduation. We could benefit from taking a page out of the book I learned as head of the National Governor's Association (NGA) Center for Best Practices. What my colleagues and I from around the country tried to do on education policy and any number of issues was to figure out what works and replicate proven models of success in our states. In many cases, we already know what works. I'll mention just a few examples.

High-quality early childhood education works. Rigorous academic standards raise expectations. Great teachers and strong school leaders improve educational outcomes of entire buildings. An engaged and compassionate mentor can change a child's life. And when we encourage the use of innovative practices, whether that involves harnessing new technology or replicating what's working at a high-performing charter school, we improve on the status quo.

I want to close by saying that, if we're serious about winning the competition to out-educate the rest of the world, we must remember that this burden does not fall to the Department of Education alone. It is a shared responsibility. It is a shared responsibility among federal, state, and local governments, schools, districts, teachers, principals, employers, and parents.

The purpose of today's hearing is to focus on the federal role, but I would encourage each of the witnesses to bring our attention to shared responsibility as well.

Again, thank you to Chairman Johnson and thank you to all of our witnesses for being here today.

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EXTENDED REMARKS OF RICHARD K. VEDDER
BEFORE THE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS
U.S. SENATE, WASHINGTON, D.C., SEPTEMBER 30, 2015

THE U.S. DEPARTMENT OF EDUCATION AND HIGHER EDUCATION: AN ASSESSMENT AFTER 35 YEARS

I wish to do two things. First, I will review the creation of the U.S. Department of Education, noting that it was a highly controversial decision. Second, I will review the state of higher education in the generation or so before the Department's inception, and then relate that to the current state of America's colleges and universities, in the process gaining some insight on the contributions of the Department to higher education.

The Creation of the U.S. Department of Education

For more than 190 years after constitutional government began in 1789, the U.S. had no federal department devoted exclusively to education. To be sure, there was federal governmental involvement in education that began even before constitutional government began, as manifested in the Northwest Ordinance of 1787. Some education statistics were gathered as early as 1838. The Morrill Acts of 1862 and 1890 creating land grant colleges were significant, although I elsewhere have argued that we tend today to exaggerate grossly the importance of that legislation. The Servicemen's Readjustment Act of 1944, or GI Bill, and, of course, the Higher Education Act of 1965 all were important. But none of them by themselves justified the creation of a distinct federal bureaucracy run by a secretary of Cabinet rank.

That brief historical review of federal involvement needs a minor qualification. In 1867, under President Andrew Johnson, legislation was passed creating a Department of Education to gather statistics on schools, but within a year concern that such an agency might exercise too much control over local schools led to it being demoted to an office of education, housed over the next 111 years in departments as diverse as the Department of the Interior and the Department of Health Education and Welfare.

After World War II, federal spending on education rose. In higher education, besides the GI Bill, the national response to the launching of Sputnik was particularly important, as manifested in the National Defense Education Act of 1958, and agencies like the National Science Foundation or National Institutes of Health were created or expanded as federally funded research efforts grew. It is notable, however, that these research efforts are almost entirely administered even today outside the Department of Education.

The special interest group most vociferously and ultimately successfully promoting the creation of a Department of Education was the National Education Association. That group had transitioned from being a professional association interested in the promotion of education into the nation's largest single labor union as a consequence of the widespread adoption of public sector collective bargaining in the 1960s. The NEA endorsed and promoted the election of Jimmy Carter as the nation's 39th president in 1976. While several members of Congress were important in promoting the legislation, Abraham Ribicoff, a former Secretary of Health Education and Welfare, was particularly critical, as he was elected to the Senate from Connecticut and introduced a bill in this body in March 1977 to create the department, an effort that ultimately succeeded in the next Congress.

The Democrat majorities were large in both houses of Congress in the late 1970's – over 275 Democrats in the House and 58 in the Senate in the 96th Congress in 1979 and 1980. Nonetheless, the battle over the creation of a Department of Education was very intense and the legislation passed by a narrow margin in the House. While a few Republicans favored the legislation, far more Democrats were opposed, severely narrowing the Democratic majority supporting the new department. The bill in the House was approved in committee by a razor thin vote of 20 to 19, with seven of committee's 25 Democrats opposing. Actually less than half the House members voted for the conference report measure, but because of some not voting it passed 215 to 201. The Senate vote margins were much larger.

While it is true that the NEA and many other interests supported the Department's creation, there was a lot of opposition from individuals or groups that one might have expected to be allies. Arguably the leading Democratic public intellectual of the era who was also a prominent politician and a member of this body, Daniel Patrick Moynihan, generally opposed the legislation, believing that the leader of the new department would be under enormous pressure from single issue interest groups. The American Federation of Teachers and the AFL-CIO opposed the creation of the department. Interestingly, the *New York Times* editorialized against the department's creation at least twice in 1979; the *Washington Post* also was in opposition. The *Times* was concerned about the undue influence of the NEA and argued against the idea that the department would increase efficiency. They added in a July 28, 1979 editorial that "school and college authorities have a hard enough job without a full-time Cabinet agency delving deeper into their business," a sentiment I suspect many current university presidents would endorse.

To reduce controversy and allow for a smooth beginning of the new department, President Carter shrewdly appointed a federal judge with no ties to the NEA, Shirley Hufstедler. She was confirmed in this body by a vote of 81-2. The confirmation came, however, just 14 months before the end of President Carter's tenure as President, so the agency was barely organized when Ronald Reagan was elected president. The 1980 Republican platform called for the elimination of the Department, and at one point early in his tenure the President

recommended in his budget that that happen, along with some cutbacks in a large expansion in federal student loan programs approved in the late 1970s.

I think the Department survived being axed for two reasons. Most important, the elimination of the Department would have required congressional approval, and the Democrats controlled the House of Representatives with 244 seats and were not inclined to eliminate something they had so recently approved. This body had strongly approved the Department's creation with a large number of Republican votes, so passage of a bill to kill the Department in the Senate would have been very problematic, particularly given the narrow Republican majority in the 97th Congress (only 53 Senators were Republicans). Second, President Reagan had bigger issues on his mind requiring Democratic support, notably a major reduction in income taxes, not to mention increases in defense spending. In his memoirs, President Reagan mentions the Department just once. He was not going to expend political capital on something of secondary importance to him at the time. He did not want the Department, but it was not a huge issue with him and fighting to get rid of it was not practical, a point made to him by his first Education Secretary, Terrel Bell.

Higher Education, 1950 to 2015: A Very Abridged History and Assessment

This short legislative history shows that the creation of the Department of Education was a highly controversial move. I think the historical record both before and after the Department's creation shows why many Americans were very skeptical of the need for the department. I am abundantly aware that the Department's primary mission from the beginning related to primary and secondary education, but the focus here will be on changes within higher education.

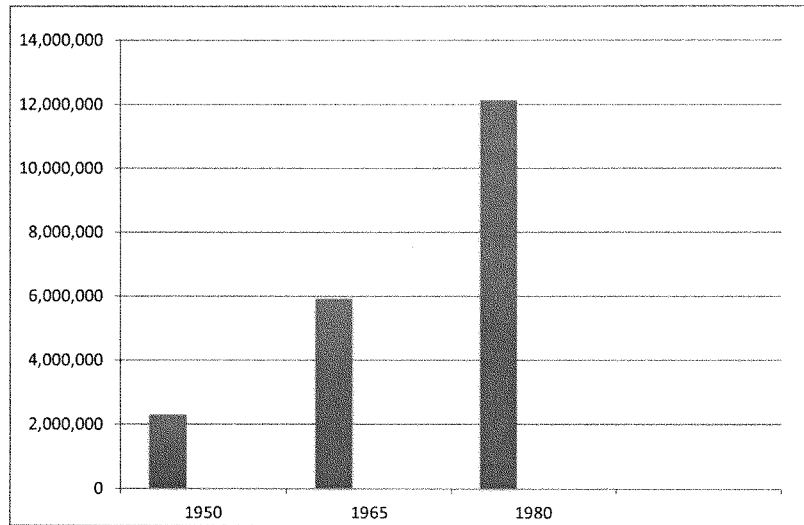
The Late Pre-Department History of American Higher Education: 1950 to 1980

The period from 1950 to 1980 was the Golden Age of higher education in America by many measures. Enrollments soared; state appropriations for colleges expanded exponentially. The primacy of American universities in cutting edge research became established without a doubt. College went from being something largely reserved for the rich or unusually bright student to being something that was an option that many rather ordinary Americans seriously considered. New universities were established and old ones dramatically expanded. Schools became more inclusive, as enrollments of minorities rose, and gender-based barriers fell: this is the era during which some of the nation's most elite universities and liberal arts colleges began admitting women. While the immediate enrollment boom after 1945 was stimulated by the Servicemen's Readjustment Act of 1944 – the GI Bill – in this period after 1950 the enrollment gains continued, not primarily stimulated by federal financing. Indeed, during the first half of this period, there was no comprehensive legislation from the federal government relating to higher education.

The statistical evidence supports the assertions above. See Figure 1. Enrollments increased more than five-fold from 1950 to 1980, a compounded annual rate of 5.72 percent.

Figure 1

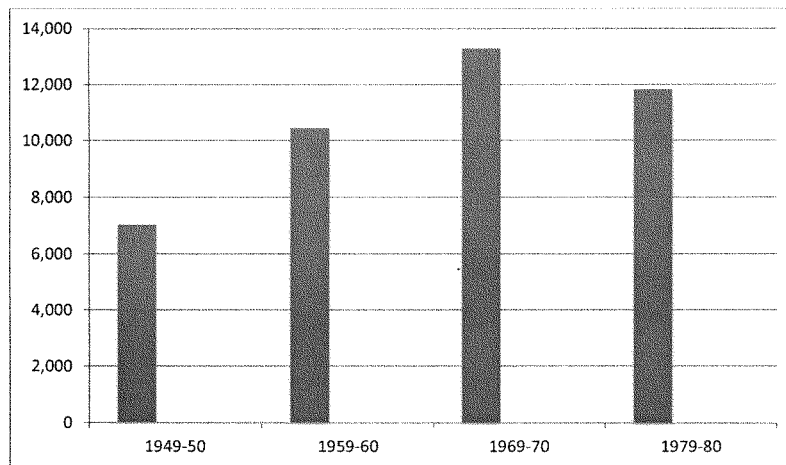
Enrollments in American Higher Education, 1949-50 to 1979-80



Source: National Center for Education Statistics

Despite soaring enrollments, inflation-adjusted spending per student increased over the period, declining only some in the late 1970s because of an extraordinary and nearly unprecedented peacetime surge in the inflation rate, as Figure 2 demonstrates.

Figure 2
Spending Per Student, American Higher Education, 1949-50 to 1979-80
 (Numbers are in August, 2015 dollars)



Sources: National Center for Education Statistics, U.S. Bureau of Labor Statistics

The large postwar investment in university research, with a lag, led to high dividends in terms of advances in knowledge. The nation's production of PhDs soared in the period. For example, there were 417 engineering doctorates awarded in the 1949-50 academic year, compared with over 2,500 30 years later – a six-fold increase. In the 1960s, the number of doctorates awarded in the physical sciences rose by an extraordinary 8.9 percent a year. From 1972 through 1979, the last eight years before the Department of Education began operations, about 40 percent of the Nobel Prizes awarded were to professors at American universities or foreigners who had studied there. The U.S. had become easily the premier nation in the world in terms of cutting edge research and intellectual accomplishments.

It is clear that in this period before the creation of the U.S. Department of Education, that higher education seemed to reinforce both American economic prosperity and the realization of the American Dream. Annual GDP in real terms from 1949 to 1979 rose by a highly robust 3.97

percent. Measured income inequality over the period fell slightly for families and sharply for unrelated individuals.

It is noteworthy that while there was a growing concern in this period about the quality of our K-12 educational system, most strikingly pointed out in the 1983 *A Nation at Risk* report, there were not corresponding complaints about American higher education. It was during this era that we increasingly proclaimed that we had the best system of higher education in the world; by the early 1980s, at the beginning of the U.S. Department of Education, we were not bragging about having the best elementary or secondary schools. To be sure, academic quality and performance are extremely hard to measure, but there was widespread acceptance of the view that American universities were good and playing an increasingly important role in enhancing the welfare of the American people.

American Higher Education since the Department's Inception in 1980

Did the creation of a Department of Education enhance and reinforce the very positive trends in higher education observed during the last generation before its creation, the period 1950 to 1980? I think there is a good deal of evidence that higher education began to enter a less successful, more troubled period. This is reflected in the report that the last Secretary of Education, Margaret Spellings, released in 2006 based on the conclusions of the Spellings Commission, the most comprehensive look at American higher education by an outside body in modern times (full disclosure: the author of this statement was a member of that commission). A few quotations are revealing:

“this commission believes U.S. higher education needs to improve in dramatic ways.....Our yearlong examination of the challenges facing higher education has brought us to the uneasy conclusion that the sector's past attainments have led our nation to unwarranted complacency about its future....there are disturbing signs that many students who do earn degrees have not...mastered the reading, writing and thinking skills we expect of college graduates.....Over the past decade literacy among college graduates has actually declined...Unacceptable numbers of college graduates enter the workforce without the skills employers say they need...”

Those words were written nine years ago. The problems outlined by the Spellings Commission have not gone away, and in some cases they have become much greater, such as with regards to the costs of higher education. Some of the things that the Spellings Commission lamented, such as the complications of FAFSA (Free Application for Federal Student Aid) form remain, and moreover they are under the direct control of the Department of Education. Let me highlight just six major problems of higher education today, problems that have all grown substantially in the years since the Department of Education exercised oversight over colleges and universities.

The Explosion in Higher Education Costs and Prices

Let us conduct a little thought experiment. Let us observe what the rate of inflation in tuition fees was in the era before the U.S. Department of Education began, that is to say before 1980. Then, let us suppose that rate of tuition fee inflation had persisted in the era of the Department, that is to say the last 35 years. What would tuition fees be like today? In the four decades before the Department's creation in 1979, inflation-adjusted tuition fees rose roughly one percent a year. Since higher education is highly labor intensive and arguably not very amenable to capital-labor substitution, it is not surprising that fees rose somewhat more than overall inflation, although not faster than people's income. In this pre-Department era, the tuition fee to income ratio was generally constant or falling modestly. In the post-Department era, fees have risen well over three percent a year adjusting for inflation, and tuition fees absorb a larger portion of incomes than decades ago. The financial burden of college has clearly risen.

If fees had risen at the same rate prevailing in the pre-Department era in the period since, they would be about one-half the level they actually are today – a typical state university in-state fee today of about \$10,000 would be less than \$5,000; the elite private school tuition of \$45,000 would be more like \$22,000. If fees were at those levels, I would opine the problems associated with student loans would be either non-existent or dramatically smaller than they are – politicians would not be talking about free college tuition or forgiving student loan debt.

You might say this is unfair – the Department of Education happened to come about, but is certainly not responsible for the tuition explosion. That is at best only partially true. I agree with researchers at the Federal Reserve Bank of New York and former Education Secretary William Bennett that the federal student loan explosion has contributed mightily to the explosion in student fees. Colleges have exploited the fact that students can often borrow funds up to the bureaucratically determined “cost of attendance,” and that provides an open invitation for colleges to raise fees, a considerable portion of which have gone to expand bureaucracies and compensation payments. The Department has not taken a leadership role in changing the way we finance higher education. While the loan programs predate the Department, they are largely department administered and have exploded on the Department's watch.

Declining Proportion of College Graduates from Low Income Backgrounds

A primary rationale for public support of education at both the K-12 and postsecondary level is that it can facilitate more intergenerational income mobility. Higher education is a ticket

you need, or so it is argued, to achieve the American Dream, and public subsidization increases college affordability and access. This is the rationale behind, for example, Pell Grants.

But rhetoric and reality are far different. The proportion of recent college graduates who came from the bottom quartile of the income distribution was about 12 percent in 1980 – when the Department was created. The number in recent years is slightly *lower*. For all the talk about providing access to the poor, the reality is that college is less egalitarian than it was in the pre-Department days. I think the rise in stated tuition fees by colleges has been fueled by the financial aid programs administered by the Department, and that those fees scare off a lot of low income students who might consider college. Additionally, the FAFSA form is extremely complex, a surmountable obstacle for children from fairly affluent homes with educated parents who sometimes have financial advisers to assist them, but a serious impediment for those from poor families where the household head is poorly educated.

Little Learning While in College

The Spellings Commission rightly expressed concerns about educational outcomes of today's college students. Additional evidence since 2006 have heightened the legitimacy of those concerns. The most important study, done for the Social Science Research Council by Richard Arum and Josipa Roksa, *Academically Adrift*, used the Critical Learning Assessment (CLA), a test of critical thinking and writing skills. They administered the test at the beginning and at the end of collegiate undergraduate careers to a large number of students at over 20 schools. The results showed that senior CLA performance typically was only marginally better than that of freshmen. Other results suggested that students today often write few long papers, and that they spend relatively little time on academic pursuits (under 30 hours a week), a finding confirmed by others, including the Time Use Survey of the U.S. Bureau of Labor Statistics.

Good data on learning gains is embarrassingly meager in higher education. A Civic Literacy Test administered by the Intercollegiate Studies Institute to freshman and senior students showed embarrassingly low level of basic knowledge about our heritage and civic institutions, and little or no gains through the college years, even at prestigious universities. The general literacy tests administered in the past by the Department of Education have showed a decline in literacy amongst college graduates, although the data is now more than a decade old. Why hasn't the Department repeated the test, and why does it not show concerns about the previous mediocre results?

Accreditation Is Not Working Appropriately

Accreditation of schools is done by private organizations, including several regional accreditors along with subject/area accreditation by specialized assessment organizations.

However, the accreditors are, in fact, “accredited” themselves by the U.S. Department of Education. The current “rules and regulations” to accreditation agencies by the Department, published in 2009, took 23 pages in the *Federal Register*, suggesting the Department’s role is more than tangential.

Accreditation plays multiple functions, but the major ones historically are to provide the public with information about program quality and, related to that, to weed out educational operators who are fraudulent or who operate programs of highly questionable quality. Accreditation is critical because federal student financial aid can only go to institutions accredited by an agency recognized by the Department of Education.

In this brief assessment of higher education, a detailed analysis of accreditation is inappropriate. Some critics note, correctly, however, that few if any major institutions of higher education ever have gone out of business over accreditation – accreditors do very little real quality assessment that is meaningful. Other critics note that accreditation’s binary nature (you either have accreditation, or you do not) does not really provide good information to consumers about very significant quality variations between accredited institutions. Others note that historically accreditation has been based more on inputs (things like the number of faculty or the number of library books) than outcomes, or that politically correct but qualitatively largely irrelevant criteria are sometimes applied (e.g., the racial composition of the faculty). Another concern is that there are inherent conflicts of interest; the accreditation agencies are run by people who are paid by the accredited organizations. Some potential educational providers are thwarted by the high costs associated with obtaining accreditation, and others have even likened accrediting agencies to cartels who wish to restrict competition.

The Underemployment of College Graduates

An important goal of the Department of Education for at least the last two administrations has been to increase the proportion of Americans going to college and complete college degrees. The Department on its College Scorecard web site talks about the extra million dollars college graduates earn over a lifetime compared with high school graduates. The Department has contributed mightily to the view that going to college is a necessary, if not sufficient, condition for material and vocational success.

That message is highly incomplete and thus somewhat misleading, and I think the Department, along with the student financial assistance programs that it administers, shares a fair amount of responsibility for a very serious labor market mismatch problem that is a consequence of the misleading information. A variety of observers, including my own Center for College Affordability and Productivity and, again, the Federal Reserve Bank of New York, have shown that a very large proportion of recent college graduates, probably over 40 percent, are essentially

underemployed – doing jobs where a majority of the job holders are high school graduates. Huge numbers of janitors, baristas, taxi cab drivers, retail store clerks, and other relatively low skilled jobs are held today by persons with degrees.

Two consequences of this are worth noting. The first is we have a credential inflation going on that is highly inefficient. As the number of college graduates vastly exceeds the number of highly skilled jobs in managerial, professional and technical fields, employers, in order to narrow the list of job applicants often are insisting on college graduates, even though the job does not require the skills associated with higher education. Thus a bartender a decade or two ago would have gotten a job with a high school diploma. Today, sometimes bars require applicants have college degrees. We have people studying an extra four years and spending an extra \$100,000 to get a job where that expenditure was not necessary were it not for the credential inflation imposed by public policies pushing college attendance. Second, as the above implies, existing high school diploma holders are sometimes today being pushed into unemployment by the excessive numbers of college graduates. I think a good case can be made that we are overinvested in higher education in America, and the Department is one reason this is the case.

Regulatory Excesses and Bureaucratic Bungling

Some of the regulatory efforts of the Department are extremely intrusive and even worse. Take, for example, the Department's Office for Civil Rights regulation in sexual abuse offenses that is extremely questionable. There is first the traditional objection that sexual violence crimes are local matters, best adjudicated by the universities themselves and local governments, like most other crimes of violence (for example, murder). Second, the perceived necessity for federal regulatory oversight presumes that colleges and local authorities are morally and ethically inferior to their federal brethren, being neglectful of abuse and therefore requiring federal action. That strikes me (and many others) as a dubious proposition. But even more questionable, the department insists that sexual violence cases be resolved using the "preponderance of evidence" evidentiary standard, meaning guilt and punishment is to be assigned even if there is only a 51 percent chance the charge is valid – well below the standard in court proceedings. This very low standard can and almost certainly has led to a good number of unjust punishments being meted out, and has been condemned by persons from all over the political spectrum (most publicly, a large number of Harvard Law School faculty).

Other bureaucratic moves of the Department have undergone considerable criticism. The Spellings Commission condemned the complexity of the FAFSA form required for receipt of federal student aid some nine years ago. Nothing of consequence has been done in the subsequent time period.

The Department as a Provider of Consumer and Taxpayer Information

The original function of the federal government regarding higher education was mainly providing information. Data are available, for example, from 1870 on enrollments, staffing, and other dimensions of American universities. That information is useful in assessing trends, measuring effectiveness, and so forth.

Yet even with this relatively non-controversial and long-lived function, actually predating the creation of the modern Department of Education by well over a century, there are major gaps in knowledge. We do not know, for example, the average teaching load of faculty, probably because the statistic is likely to be embarrassing and controversial. We have spent one-quarter of a trillion dollars on Pell Grants over the past decade, yet the Department does not publish national data on the percent of Pell Grant recipients graduating in four, five, or six years. Why? I suspect because the number probably is below 50 percent even for six year graduation rates, intimating that the return on our Pell Grant investment may be rather low. But that is information that should be provided, and Congress, in fact, should insist upon it.

Even more critically, the Department has not used moral suasion, much less coercion, to obtain critical information of interest to potential students, their parents, policymakers and the concerned public. Most importantly, how much do students learn while in college? It is amazing how private magazine rankers, at no direct cost to the public, have historically provided more information of value to customers, than the Department of Education with its vast resources (full disclosure: I am in charge of the college rankings done by *Forbes* magazine). To be sure, the recent College Scorecard that the Department now has provided includes a good deal of useful information, and potentially could be the springboard for a significant contribution to improving consumer awareness and college choice selection. But it has taken years to be constructed since first discussed years ago.

The Bottom Line: What Grade Do We Give the Department of Education?

In fairness to the Department of Education, a lot of what ails higher education is not directly a result of departmental incompetence or neglect. In the absence of the department or the governmental programs which it oversees (notably financial aid initiatives), some of the problems, such as mediocre learning outcomes, may have happened anyway. Yet the department's job is to improve education in the U.S. The evidence is that it has not done that. There are other pathologies not discussed here – stagnant collegiate labor productivity, inadequate pursuit of technological advances in teaching, the excesses of big-time intercollegiate athletics, et cetera. The assessment here is far from comprehensive.

All that said, it is hard to give the Department of Education a good grade on its lifetime performance. I ask myself, would the American people in general been better off, and would American higher education be improved, if the very strong opposition to the Department's creation had prevailed in 1979? I suspect the answer is "yes." Although it is unfashionable to do so in this era of grade inflation, I think I have to give the Department a failing grade.



Statement of

Kevin Carey
Director, Education Policy Program
New America

Before The

Committee on Homeland Security and Governmental Affairs
United States Senate

For the Hearing

"A Review of the Department of Education and Student Achievement"

Presented

Wednesday, September 30, 2015

**Statement of Kevin Carey
Director, Education Policy Program
New America**

**Before the
Committee on Homeland Security and Governmental Affairs
United States Senate
September 30, 2015**

Chairman Johnson, Ranking Member Carper, members of the committee: On behalf of New America, thank you for the opportunity to discuss higher education.

Why has college become so expensive?

Since 2008, the popular answer to that question has been, "Because recession-wracked states slashed public funding for higher education, creating deficits that colleges filled by shifting the tuition burden to parents and students and thus the federal government in the form of increased appropriations for Pell grants and student loans."

That answer is accurate (although more for some states than others.) But it is not complete, in part because it doesn't apply to private and for-profit colleges, and in part because it ignores the fact that colleges have been steadily raising tuition much faster than inflation for the better part of four decades, in bad times, good times, and all times in between.

Why did they do that? In short, because they wanted to, and because they could.

There is no mystery as to why colleges want more tuition revenue. Everyone wants money. The real question is why were they *able* to do it then, and do it still. To answer that, and the corollary question of whether there is something the United States Congress can do about it, it helps to go back to the beginning of the modern era of federal financial aid policy, the 1972 amendments to the Higher Education Act, which established the system of need-based vouchers--Pell Grants--and student loans that we still have, in modified form, today.

Back then, there were approximately 1,430 public two- and four-year colleges in America. Today, there are 1,625, an increase of about 14 percent. The number of traditional private nonprofit colleges, meanwhile, has barely changed. We mostly stopped building them in the 19th century.

Yet, since 1972, the number of students enrolled in American colleges and universities has grown from 9.2 million to over 21 million, an increase of 111 percent.

So we begin with simple supply and demand: We have more than doubled the number of college students over the last four decades, while keeping the number of public and nonprofit colleges almost the same.

College enrollment surged in part because the population grew. But it was also driven by seismic changes in the American economy. In many regions, the blue-collar economy collapsed or was radically transformed. A high school diploma was no longer enough to earn a middle class wage. So students flocked to the only institutions that were legally allowed to sell tickets to the prosperous white-

collar economy: colleges and universities. The gap in wages between people with college degrees and people without them widened into a chasm.

If a service becomes much more valuable, the number of customers for the service increases, and the number of organizations allowed to sell those services stays the same, prices will go up.

Why didn't new colleges spring up to meet that demand? Because the old colleges were protected from competition by a combination of regulatory barriers and public subsidies. To legally offer college degrees and receive federal financial aid, colleges must have accreditation. The accreditation process is managed by associations of existing colleges. Standards for accreditation are based on how existing colleges operate--the kinds of people they hire, the degrees they offer, the way they manage their libraries, departments, and programs.

Accreditation defines away the possibility of radical innovation. Imagine if, back in 2007, the Apple corporation had to get permission from a trade association of existing mobile phone manufacturers in order to sell the iPhone. That's the way higher education works today.

Other factors exacerbated this problem. States were subject to the same rising healthcare costs afflicting the rest of society. Many states also chose to cut taxes and increase spending on incarceration. Higher education budgets were squeezed.

Colleges were also subject to little accountability or market discipline when it came to their core mission of teaching undergraduates. No one publicly tracks how much students learn at different colleges. Until just two weeks ago, when the U.S. Department of Education released such data, there was no consistent information about how much graduates of different colleges earned in the labor market, and very little information about their ability to pay back student loans.

As a result, the market for higher education is not driven by the basic value proposition of benefits weighed against costs. Instead, colleges compete for status, based on expensive things that have little to do with student learning: intercollegiate athletics, research prowess, Olympic-caliber gymnasiums, and luxury dorms. In a time when more people than ever need an affordable college education, the influential *U.S. News & World Report* rankings reward colleges for denying students admission and increasing the amount of money per-student they spend.

At the trend-setting high end of the market, higher education has become what economists call a "Veblen good"--an expensive luxury item like a Rolex or a Rolls Royce, where demand goes up as the good becomes more expensive, not down. This sets benchmarks for salaries and amenities that cascade down through the market.

College administrators do not sit down every year, determine how much it costs to provide students with a high-quality education, and set tuition accordingly. Instead, they sit down every year and determine the largest tuition increase that the private market and political economy will bear, and then spend that money on what administrators care about most. Increasingly, they are spending it on themselves. The ratio of administrators to students has risen over time, even as a greater share of classes are taught by adjunct, not tenured, professors.

Higher education has also, uniquely among major information-focused industries, avoided almost entirely the disruptive pressures of information technology. Today, most colleges offer some form of hybrid or fully online courses, and millions of students are enrolled. Yet colleges charge the same tuition as for in-person classes, even though online classes are much cheaper to provide at scale.

All of this happened during a time of stagnant incomes for middle-class households--the same families that were sending children to college for the first time. The yawning difference between what college costs and what families have in their bank accounts has been filled by debt, most of it issued or guaranteed by the federal government.

And while the college debt conversation often focuses on undergraduates, a significant part of the growth in the nation's \$1.2 trillion outstanding student loan bill has been driven by graduate school debt. In part, because even an associate's or bachelor's degree isn't good enough for some jobs now. And in part because, unlike undergraduates, there is no hard limit on how much federal money graduate students can borrow, up to and including their cost of living.

What, if anything, can Congress do about this?

Many federal lawmakers are appropriately cautious about interfering with an industry that has long been seen as a global leader and which has traditionally been the responsibility of state governments and private markets.

However, there are some important things that only the federal government can do. And now that the U.S. Department of Education is the single biggest financier of higher education, providing \$165 billion per year in grants and loans, plus tens of billions more in tax credits, the question is not whether there will be a strong federal role in higher education. There is one. The question is whether that role will continue to be limited to providing blank checks to organizations that are steadily pricing the middle class out of higher education, and thus the American dream.

The federal government should not tell colleges how to teach. It can, however, expand the definition of who gets to be a college, and help consumers make better choices about which colleges to attend.

Higher education is a national--and increasingly, international--market. Most students are mobile students, earning credits from multiple institutions and often crossing state lines. The rise of national online colleges has accelerated these trends. Only the federal government can provide consistent information about college outcomes to students, parents, and policymakers nationwide.

Yet during the last reauthorization of the Higher Education Act, in 2008, language was included at the behest of industry lobbyists to prevent the U.S. Department of Education from modernizing its higher education information systems in a way that accounts for student movement between institutions. These incumbent-protection provisions, which shield colleges from scrutiny and accountability, should be repealed.

The federal government should also expand its longstanding commitment to university-based research to include more research about universities. We spend billions of dollars to develop cutting-edge technologies and explore the mysteries of the universe but virtually nothing to evaluate the effectiveness of a massively subsidized industry that is crucial to our nation's future economic and civic prosperity.

Finally, and most importantly, we must create more room for higher education innovation by allowing entrepreneurs to compete on a level financial playing field with established colleges. In the long run, the higher education cost problem cannot be solved with price controls and public subsidies alone. We also need greater productivity through the creation of new organizations built from the ground up with the growing capacities of information technology in mind.

This does not mean giving short shrift to consumer protection. Many students have been defrauded in recent years by organizations that sacrificed learning to the bottom line. But those abuses were a

function of not too much regulation or too little regulation but the *wrong kind* of regulation. All of the worst offenders were working inside of the existing accreditation system, taking full advantage of its lack of focus on student learning results or economic and civic outcomes, overcharging students for worthless degrees.

Instead, the federal government should experiment with giving public, non-profit, and for-profit organizations that may look nothing like traditional colleges equal access to federal funds, in exchange for being held rigorously accountable for outcomes defined not by government bureaucrats but by employers and members of the academy.

Without such changes, colleges will continue to increase tuition, because they want to, and because they can.

**Statement of Ted Mitchell
Under Secretary
U.S. Department of Education**

Before the U.S. Senate Homeland Security and Governmental Affairs Committee

**Hearing on
“A Review of the Department of Education and Student Achievement”
September 30, 2015**

Chairman Johnson, Ranking Member Carper and Members of the Committee, I appreciate the opportunity to discuss the Department of Education’s goals and priorities with respect to our higher education efforts and provide testimony on how we measure our success.

At the Department, we have been working diligently to achieve a stronger, more prosperous America, with the goal of reclaiming our place as the nation with the highest proportion of college graduates. Many factors influence the successful attainment of that goal, including whether students have access to a postsecondary degree, can afford to pay for that degree and can graduate with a high-quality education that truly enables them to contribute fully to our economy and society.

Department of Education Priority Goal

As an agency, we have established a goal of increasing college completion by improving access, affordability and student outcomes. Our Strategic Plan (SP) and Agency Priority Goals (APGs) have set the ambitious target that by September 30, 2017, more than forty-eight percent of adults ages 25-34 will have an associate’s degree or higher. In 1995, the United States was first among OECD member countries, with a 33 percent graduation rate.

A generation ago, America led the world in the proportion of adults ages 25-34 who are college graduates; today, we are 12th. America thrived in the 20th century, in large part, because we had the most educated workforce in the world. But other nations have matched or exceeded our success. Today, more than ever, Americans need more knowledge and skills to meet the demands of a growing global economy without having to take on debt that they may struggle to repay. By 2020, an estimated 65 percent of job openings will require postsecondary education or training. At the same time, approximately 100 million adults in America today have no college experience. Until we make dramatic progress in educational attainment, we’re not the nation we want to be – the land of unlimited opportunity, where success is possible for anyone who’s willing to work hard.

Success in today’s world requires critical thinking, adaptability, collaboration, problem solving and creativity – skills and credentials, for every student, that go far beyond what systems designed for earlier times can offer. Today, a great education is not just what every parent wants for his/her child – it is a necessity for financial security in a globally competitive economy and for the health of our democracy.

Whether it is a 2-year or 4-year degree, a certificate, or career and technical training – some form of quality postsecondary education is the gateway to opportunity and the middle class. We know that a college education has never been more important.

Access and Transparency

We will not truly be the land of opportunity until more schools make it their mission to expand access to low-income students, and increase success rates for those who have to overcome the greatest obstacles to get a college degree. Too many of the students who enroll in college, aren't ready – and too many of those who start, don't finish. One thing is certain: we can't have substantial economic mobility in this country without equal opportunity to get a high-quality education. To preserve the promise of the American Dream for everyone, we need greater access and transparency in postsecondary education.

Since 2009, the Administration has worked with Congress to increase Pell Grants by more than \$1,000 a year to \$5,775 per-year per-student. We have also worked with Congress to create the new and partially refundable American Opportunity Tax Credit worth up to \$10,000 over four years of college. By increasing direct support to low-income students, we are making it easier for students to achieve their college dreams.

An improved federal aid application process also improves accountability. We have significantly simplified the Free Application for Federal Student Aid, known as the FAFSA. We revamped the online form for all families so they can skip questions that are not relevant to them. In addition, over 6 million students and parents took advantage of the ability to electronically retrieve their income information from the IRS when completing their 2014-2015 FAFSA, an innovation that improves both speed and accuracy. Today, students and families on average fill out the FAFSA in about 20 minutes, only one third of the time it took seven years ago. And, just two weeks ago, we announced a new initiative that, when implemented about this time next year for the 2017-2018 school year, will permit students and families to apply for financial aid earlier – starting in October as the college application process gets underway – rather than in January. Beginning in the fall of 2016, students filling out the FAFSA will be able to electronically retrieve tax information filed for an earlier (prior prior) year, so they no longer have to wait until tax season to complete their applications. This will mean even more students and families will be able to complete their 2017-2018 FAFSAs using information retrieved electronically from the IRS a few months after they and their parents file their 2015 tax returns, reducing the number of applicants who need to estimate income or taxes paid, only to have to correct their application later. Learning about aid eligibility options much earlier in the college application and decision process will allow students and families to determine the true cost of attending college – taking available financial aid into account – and make more informed decisions. Together with the new College Scorecard, students will have more information to choose the right college than ever before. Over the next several years, the simpler FAFSA filing process could encourage hundreds of thousands of additional students to apply for and claim the aid they are eligible for – and enroll in college.

In addition to these efforts, we are thinking about the tools and resources consumers need to make wise decisions and master the college experience, from selecting a major to managing their

finances. It is in this framework – of a deliberate and strategic drive toward transparency, accountability and innovation aimed at reaching the completion goal, and as one among a larger suite of tools – that we’re implementing a new College Scorecard, a new tool that would assist students in making college choices. The Department designed the new College Scorecard in a way that is clear, transparent, and focused on a few key critical measures of institutional performance, while accounting for the diversity and complexity of the nation’s rich higher education system.

The College Scorecard also includes new and updated data from the National Student Loan Data System (NSLDS), which ED has used to manage and track grants and loans since the 1990s. The data were used to produce a variety of new institutional performance metrics including (1) median cumulative loan debt, (2) repayment rate, and (3) completion and transfer rates, all by various student subgroups.

While no single measure is perfect, and many important elements of education cannot be captured by quantitative metrics, cultivating and releasing data about performance drives the conversation forward to make sure colleges are focused on access, affordability and students’ outcomes. We expect and encourage the higher education community to complement this project with information for students and families about other aspects of college quality and performance, including student learning outcomes, career choices, public service roles, the history and missions of different institutions and other considerations that will help students make wise choices to advance their education goals.

Today’s college marketplace is a confusing maze for students and families – especially for those who can least afford to risk their time and money. They may rule out a great school as too expensive, not realizing that – with aid – middle- and low-income families can end up paying far less than a school’s published “sticker price” for tuition, fees, and room and board. They may not be aware that one of the two schools they are considering has a far lower graduation rate than the other. Some may select an aggressively marketed career college program that is unlikely to provide the skills and industry-respected credentials they’ll need to fulfill their dreams of a better job and a better life. Without considering critical factors such as these, it is too easy for a student to end up without any degree, and with a significant amount of debt.

There need be no mystery or guesswork to picking a college, paying for college, and persisting in college. And, when it comes to something this vital to the future of individual Americans – and our nation as a whole – there shouldn’t be. This nation must have transparency in higher education.

We take our role of overseeing direct lending, and protecting the interests of students and borrowers, very seriously. Earlier this year, the Administration pledged to create a borrower bill of rights to ensure strong consumer protections for student loan borrowers. As part of that initiative, the Department of Education is working on a number of actions to help Americans manage their student loan debt, including: working to protect the Social Security benefits for borrowers with permanent disabilities who may qualify for a loan discharge or other repayment options, changing the debt collection process so that it is fairer, more transparent, and more reasonable, and providing clarity on borrowers seeking a discharge in bankruptcy. The Student

Aid Bill of Rights also directed the Departments of Education and of the Treasury to work together to determine the feasibility of developing improvements in the recertification process for borrowers in income driven repayment plans

Federal Student Aid (FSA) has been taking steps to improve borrower service as it continues the transformation of the nation's student loan program following the President's landmark student loan reform. Key steps include: the ongoing development of an enterprise complaint system to track and support complaint resolution across all aspects of aid delivery, including servicing, targeted email campaigns to borrowers regarding available repayment options, including campaigns related to IDR enrollment, enhanced performance metrics and incentive-based pricing for Federal loan servicers to ensure consistency and accountability while creating additional incentives to focus on reduced delinquency and default, more effective borrower counseling and outreach, and enhanced customer satisfaction, development and implementation of a robust enterprise data warehouse and analytics capability to support research of the portfolio, an increased focus on military service members, including an automatic data match with DOD records to proactively provide service members with their active duty benefits, and a pilot to test different approaches for curing delinquent loans.

Affordability and Accountability

We know that postsecondary education has never been more important. We also know that it has never been more expensive. This nation can't truly be the land of opportunity when U.S. students and families pay four to five times what families in other countries pay for college. This nation will not be the land of opportunity when states have disinvested in higher education at alarming rates – and have not reinvested in higher education even as states' economies have recovered. In all, 47 states cut per-student spending between 2009 and 2014, by an average of about 13 percent. Over the past 25 years, state per-student spending is down 25 percent, after adjusting for inflation.

We also must have accountability. As a nation, we need to know that our higher education system works equally well for all of us. Our continued civic well-being and economic prosperity depend on it. Accountability in postsecondary education means all of us – federal government, states, institutions and accreditors – have an obligation to help level the playing field for every student. It means that unscrupulous actions have consequences; that effective actions and outcomes are rewarded; and that efforts to improve are recognized and supported.

Another way in which we have proposed to address the affordability issue is through America's College Promise, which is a proposed grant program for States to make community college free for responsible students, enabling them to earn a certificate, an associate's degree or up to 2 years' worth of credits toward a bachelor's degree without paying tuition and fees. The proposal includes a federal/state/institution partnership that calls on the federal government to invest in students, requires states that opt into the program to continue to invest in higher education, and encourages community colleges to adopt innovative practices and improve student outcomes.

Reflecting America's higher education model of shared responsibility, America's College Promise will require everyone to do their part: 1) States must invest more in higher education and training; 2) community colleges must strengthen their programs and increase the number of

students who graduate; and 3) students must take responsibility for their education, earn good grades, and stay on track to graduate.

We have also greatly increased the number of repayment options for federal loans on the back end to help students manage their debt. To start, through our income-based repayment programs, we have capped student loan payments at 10 percent of monthly discretionary income. Through the very good work of Federal Student Aid, we have seen a dramatic rise in the take-up rate of these income based repayment programs, with a 56 percent growth from 2014 to 2015. Almost 4 million students are enrolled in income based repayment programs now, and those students can count on manageable student debt for the long term.

I've begun holding listening sessions around the country, hearing from as many students as I can about their experiences, and how we can do better for them. There is no question that many of the problems lie in the for-profit sector. And, as part of the Administration's efforts to promote quality and accountability in higher education, the Department has established a federal interagency task force – which I lead on behalf of Secretary Duncan – to help ensure proper oversight of for-profit institutions.

The task force will enhance the enforcement activity at the Department as well as at other federal and state agencies through tighter coordination of their activities and better information sharing to protect students from school practices and policies that are unfair, deceptive, and abusive, and that put taxpayer funds at risk. The task force is building on efforts already under way among various federal agencies, and includes the Departments of Justice, Defense, the Treasury, Veterans Affairs, and Labor, as well as the Consumer Financial Protection Bureau, Federal Trade Commission, Internal Revenue Service, and Securities and Exchange Commission. In addition, the federal partners will continue engaging with state Attorneys General and other stakeholders. Given the important responsibilities each of these agencies has and the vital role that states play, this team will leverage their resources and expertise to continue to assist one another in the enforcement of federal criminal and civil laws and regulations, including against institutions and individuals who commit fraud or other criminal activity, thereby making the best use of scarce resources and better protecting the interests of students and taxpayers.

Our new Gainful Employment (GE) regulations are a specific instance of tightening our focus on transparency and accountability for institutions, to protect students and taxpayers. These rules set debt to income ratios and require schools to ensure that they are preparing their students to earn sufficient income without crippling debt payments. They also require institutions to provide important information about their programs, and focus on student outcomes, like what their former students are earning, their success at graduating, and the amount of debt they accumulated.

Already, our efforts have incentivized institutions to eliminate programs that were not showing results for students, reduce the cost of some programs to ensure that they will pass the GE thresholds, and institute new practices like trial periods for students. The regulations prevent students from being buried in debt through an accountability metric that looks at graduates' debt compared to their earnings. Right now, based on available data, the Department estimates that

about 1,400 programs serving 840,000 students – of whom 99 percent are at for-profit institutions – would not pass the new accountability standards. All institutions will have the opportunity to make changes that could help them avoid sanctions, but if these programs do not improve, they will ultimately become ineligible for federal student aid – which often makes up nearly 90 percent of the revenue at for-profit institutions. Our regulations went into effect July 1st, and we are beginning the work of implementation.

Accreditation has a vital role to play in accountability and ensuring that education provided by institutions of higher education meets acceptable levels of quality. Accreditation is of critical importance to students, since academic quality control depends on its rigor and effectiveness. It also matters to taxpayers, since accreditation is a prerequisite for access to participation in their \$150 billion federal student aid investment. Secretary Duncan recently noted the urgent need for improvement in accreditation. That improvement should take the form of a consistent and demanding focus on key *outcomes*, such as retention, graduation and transfer, and employment. We and the bipartisan National Advisory Committee on Institutional Quality and Integrity (NACIQI), two-thirds of whose members are appointed by the Congress, are looking at many ways to increase the rigor in accreditation, and we hope to work with Congress to give us the authority we need to protect students and taxpayers.

Innovation

The only way we can design an education system that truly delivers for all – a system of unprecedented scope and scale – is to encourage and support creativity and invention, and promote the widespread sharing and scaling of promising practices, from the grassroots to the federal level.

We need all stakeholders collaborating to identify, test and refine the best solutions. Our Department is using federal dollars to seed new approaches, build a stronger body of evidence, and increase the adoption of effective practices nationwide. We have focused on improving college performance and innovation that can lead to breakthroughs on cost and quality. We recently announced the second round of winners in our First in the World Initiative, with grants totaling \$60 million. We had an overwhelming response to this competition: we had over 300 applicants, of which we were able to fund 17.

We were so pleased that nine of the recipients are minority-serving institutions and three are historically black colleges and universities. Institutions will pilot new approaches such as proactive advising and support services guided by predictive analytics, redesign of online gateway courses to increase student engagement, integration of adaptive learning software into a short-term bridge program, and open source developmental courses delivered through mobile learning apps. The learning from this program is crucial to spurring innovation, and we urge Congress to fund the First in the World program going forward.

And, through our “experimental sites” program, we’re supporting schools in piloting new ways to distribute student aid, implement competency-based education, and assess prior learning. Grantees are also testing new strategies for college counseling and other ways to make the path from high school to college smoother and more successful. We’re evaluating the effectiveness

of these alternative approaches to inform potential changes that could help improve student outcomes and reduce costs.

At the same time, we're making it a priority to convene and collaborate with other organizations, so we all can better align public and private funds around shared priorities. For example, this past year we've worked with the White House on two College Opportunity Days of Action and a workshop on K-16 partnerships. As a result, a host of colleges and partners have made important new commitments to expand opportunity for the nation's most vulnerable learners, and to strengthen local K-12-postsecondary connections.

We're also partnering with the Labor Department on a \$25 million grant competition for an Online Skills Academy. Competencies, learning resources, and assessments are building blocks of what learning can and should look like. We see this as a working model of the system of the future—an example and platform on which others can build.

Charting Our Progress

The good news is that we've been at this work for almost seven years now, and there's real cause for hope. Our efforts have begun to move the needle. Our high school graduation rate is at its highest point in history. The Administration has increased total direct aid available to students by over \$50 billion from 2008 to 2016 and, through the American Opportunity Tax Credit, increased tax support for education by \$10 billion in 2016, which has helped our Nation ensure that more students are graduating from college than ever before.

We've seen real progress, new approaches and improved outcomes for all students – especially low-income, first-generation and minority learners – on a growing number of college and university campuses.

We've taken historic steps to give borrowers, especially those who are struggling to repay their loans, better options to manage their student debt and to make sure they know about those options. We are seeing tremendous progress in this area: in the past year alone, the number of students taking advantage of income-based repayment jumped by 56 percent and on average, more than 5,000 borrowers have enrolled in income-driven plans daily. Nearly 4 million Direct Loan borrowers have enrolled in Income-Driven Repayment plans as of June 30, 2015. Delinquency rates and default rates have also dropped.

According to data released by the Department in August (and available for download on the FSA Data Center), the proportion of Direct Loan borrowers who are more than 31 days late in their repayments dropped from 23 percent on June 30, 2014, to 21 percent a year later. The total dollar balance of Direct Loans delinquent for more than 31 days fell from 17.2 percent to 15.9 percent. Likewise, the proportion of delinquent Department-held Federal Family Education Loan (FFEL) borrowers declined from 24.2 percent to 21.8 percent. And, the total dollar balance of delinquent, Department-held FFEL loans went down from 24.6 to 23 percent.

Our quarterly APG report on our progress also confirms we are on track to meeting our goal. Starting from a baseline of 44.0 percent in 2012, the Department projected that the annual increase of educational attainment among ages 25–34 would grow progressively each year above

the four-year historical average of 0.7 percentage points. Based on this projection, the Department established performance targets of 44.7 percent for 2014 and 45.6 percent for 2015. The Department is on pace to achieve this APG as 44.8 percent of adult's ages 25–34 have an associate's degree or higher, exceeding the 2014 performance target (note that the rate reflects prior year data, in this case from 2013, but is reported in 2014 when data are available).

The administration's landmark investments in Pell Grants, coupled with the creation of more generous tax credits and loan repayment options, have helped more Americans access a college education. However, the Department is concerned that federal student aid may not be able to keep pace with rising college costs indefinitely. Instead, systemic state and institutional reforms are necessary to address the root causes affecting college affordability, while also creating incentives to provide greater quality at a lower cost to students. This task is not one that the federal government can take on alone. As such, success will also depend largely on the extent to which states invest in higher education and whether institutions pursue practices and policies that will help improve affordability and student outcomes. Specifically, whether and to what extent states and institutions (a) implement policies and programs to increase college access and success; (b) reduce costs and time to completion; (c) support accelerated learning opportunities, including dual enrollment; (d) develop and adopt effective and innovative practices that improve student outcomes; and (e) promote seamless transitions from secondary to postsecondary education and among higher education institutions will influence the Department's success in achieving this APG. While some of the Department's budgetary proposals that would more fully address these areas have not received traction in Congress, the Department has some limited leverage to influence states' policies and the practices of postsecondary institutions, and the Department will use its available resources, including grant programs and technical assistance, and the ability to convene stakeholders to encourage collaboration and best practices.

Conclusion

Managing change of this scope in a way that benefits all students will take all of us: institutions, states, associations, and students and families, as well as the federal government. We're starting to see bold new thinking and encouraging progress. I'll mention a few names as just some of the colleges and universities engaging constructively with the issues and shaping their priorities to achieve similar goals. They include: University of Wisconsin (competency-based degrees); Lorain Community College, Ohio (associate's degrees for high school students); Kentucky Community & Technical College System (competency-based education, real-time labor market analysis to respond to workforce needs); Southern New Hampshire University (competency-based education); Dartmouth College (free tuition and elimination of loans for students with family incomes of \$100,000 or less); Iowa State University (tuition guarantee plan); and Midland University Nebraska (Four-Year Graduation Guarantee, with free tuition after fourth year).

At the federal level, we view all our efforts to improve college access, affordability, quality and completion through the lenses of transparency, accountability and innovation. These principles guide everything from the investments we make in students and in institutions, to the regulations and policies we issue, to the extensive suite of tools we're developing to help students and borrowers.

One thing is certain. It's time to put an end to conditions that limit the lives and contributions of our people and check our capacities as a nation. Increasing opportunity for more students to enroll and succeed in college, especially low-income and underrepresented students, is the cornerstone of a dynamic economy with a thriving middle class, and essential to preserving a strong democracy.

Thank you again for the opportunity to speak with you today about the Administration's goals for higher education. I would be pleased to respond if you have any questions.

**Post-Hearing Questions for the Record
Submitted to Dr. Richard Vedder
From Senator Ron Johnson**

“A Review of the Department of Education and Student Achievement”

September 30, 2015

1. What are the main factors driving the increase in college costs?
2. In your opinion, what role has declining state government spending on public postsecondary assistance played in increasing college costs?
3. How can we analyze and accurately measure supply and demand in postsecondary education over the past 30 years, including accounting for the number of institutions as well as their increasing enrollment? Do you have any other recommendations for how we can accurately measure supply of higher education?
4. Please describe how the current accreditation process affects supply and access to postsecondary education. Do you support or recommend any reforms to postsecondary education to increase supply and improve access?
5. What metrics or outcome measures are currently used to assess institutions' success in educating students? Are these measures sufficient? If not, what additional outcome measures would you recommend?
6. Please describe any federal policy changes or reforms that you support or recommend to improve college access or affordability.

**Responses to questions submitted for the record were not received at time of printing.
When received, they will be on file in the committee offices.**

**Post-Hearing Questions for the Record
Submitted to Kevin Carey
From Senator Ron Johnson**

“A Review of the Department of Education and Student Achievement”

September 30, 2015

1. In your opinion, what role has declining state government spending on public postsecondary assistance played in increasing college costs?
2. Do you have data or figures to show declining state government support for higher education over time, nationally or by state? If so, please provide it to the Committee.
3. How can we analyze and accurately measure supply and demand in postsecondary education over the past 30 years, including accounting for the number of institutions as well as their increasing enrollment? Do you have any other recommendations for how we can accurately measure supply of higher education?
4. Please describe how the current accreditation process affects supply and access to postsecondary education. Do you support or recommend any reforms to postsecondary education accreditation to increase supply and improve access?
5. Please describe any federal policy changes or reforms that you support or recommend to improve college access or affordability.
6. In your book, *The End of College*, you describe how some institutions and companies are providing credits for students who complete online courses or demonstrate mastery of certain subjects. Please describe any promising models or examples that you think could help inform federal policymakers seeking to reduce college costs.
7. What metrics or outcome measures are currently used to assess institutions' success in educating students? Are these measures sufficient? If not, what additional outcome measures would you recommend?

**Responses to questions submitted for the record were not received at time of printing.
When received, they will be on file in the committee offices.**

**Post-Hearing Questions for the Record
Submitted to Theodore R. Mitchell
From Senator Kelly A. Ayotte**

“A Review of the Department of Education and Student Achievement”

September 30, 2015

In my home state of New Hampshire, Granite State Management & Resources (GSMR)—a not-for-profit loan servicer—provides a high level of customer service to student and parent borrowers. GSMR is extremely concerned about the lack of adequate loan volume allocated to Not-for-Profit (NFP) servicers by the Department of Education.

Open competition between multiple servicers, with a fair and level playing field, is critical to improving the quality of loan servicing for all students and families and should be a point of emphasis for the Department. Today, a number of the NFP servicers have less than the 100,000 accounts they were originally guaranteed. Given this uncertainty, the NFP servicers like GSMR cannot continue to make investments in order to best serve student borrowers.

I have joined several bipartisan letters to the Department of Education, asking for a fair remedy to this situation and have been disappointed in the Department’s subsequent actions to limit the number of new accounts going to the NFP loan servicers.

1. When can we expect the Department to provide a clear, fair, and level playing field between the NFP servicers and the Title IV Additional Servicers (TIVAS)?

The Department plans to begin a new student loan servicing acquisition in early 2016; this effort will streamline and simplify servicing systems and processes to improve customer service, increase efficiency, and enhance the Department’s ability to effectively oversee and monitor servicing operations. As this effort will likely result in significant changes to the current servicing environment, we believe it is prudent to maintain the existing distribution of accounts among federal loan servicers until the post-acquisition transition plan is fully developed. This transition plan will focus on minimizing disruptions to borrowers, facilitating access to customer service improvements, and avoiding unnecessary cost and complexity.

2. Do you believe that the Department of Education has unnecessarily restricted consumer choice among student loan borrowers and parents?

Student loan servicing is one of the Department’s largest responsibilities, affecting nearly 30 million borrowers and covering loans totaling nearly \$1 trillion. Our goal in managing this undertaking is ensuring that borrowers receive high-quality service while protecting the interests of taxpayers. We believe the current servicing structure supports these goals, and does not unnecessarily restrict consumer choice among student loan borrowers. At the same time, as outlined in the President’s Student Aid Bill of Rights, we are taking additional steps to make

paying for higher education an easier and fairer experience for millions of Americans. As part of this effort, we are committed to:

- Developing a state-of-the-art – and simple – process for borrowers to file complaints involving their experiences with higher education institutions and federal student aid, and working with a team across the federal government to figure out the best way to address those complaints.
- Using innovative strategies to improve borrowers' experience and improve customer service. We are committed to finding new and better ways to communicate with student loan borrowers and to creating a centralized, easier process for repaying loans.
- Working across the federal government to see what lessons can be learned from similar situations, like mortgage and credit card markets and other performance-based contracts, to help us make sure that we are continually strengthening consumer protections for students.

3. How did the Department of Education make the determination that 74 percent of all new Direct Loans would be given to the TIVAS while only 26 percent would be given to the NFP servicers? To what extent, if any, were loan servicers' performance metrics taken into account when determining this allocation? If performance metrics were used, what were they? How did the NFPs compare to the TIVAS when considering factors such as the percent of borrowers currently in repayment?

The portfolios serviced by the TIVAS and NFP servicers are not directly comparable due to differences in their composition. The NFP portfolio is overwhelmingly made up of accounts received from the Direct Loan Servicing Center in 2011-2012. These loans were already in repayment and current at the time they were transferred. As a result, these loans are more stable and mature than the portfolios of the TIVAS, which have high volumes of new borrowers who are more likely to go in and out of delinquency. The TIVAS also service Federal Family Education Loan (FFEL) Program loans purchased through the Ensuring Continued Access to Student Loans Act of 2008, as well as loans of all statuses received from the Direct Loan Servicing Center. Although the NFP members of the federal loan servicer team began receiving new borrower accounts in early 2015, most of those loans are still in an in-school status.

As a result of these differences, separate allocation pools have been established for each group of servicers, which then compete within those groups based on the common performance metrics. Under this approach, all allocations are based on performance. TIVAS and NFP servicers do not, however, compete against one another directly but rather within each allocation pool. The size of the respective allocation pools is based on operational considerations and a focus on minimizing risk to borrowers and taxpayers. NFP servicers first received new borrower accounts on January 1, 2015. At that time, the NFP allocation pool was established at 25 percent of new borrower accounts in an effort to protect students and taxpayers by ensuring that all servicers had the capability to manage the new workflow smoothly.

The Department is in the planning phase of a new student loan servicing acquisition; this effort will streamline and simplify servicing systems and processes to improve customer service, increase efficiency, and enhance the Department's ability to effectively oversee and monitor servicing operations. As this effort will likely result in significant changes to the current servicing environment, we believe it is prudent to maintain the existing distribution of accounts among federal loan servicers until the post-acquisition transition plan is fully developed. Accordingly, for the allocation period beginning on September 1, 2015, the TIVAS and NFP pools were set at 74 percent and 26 percent of new borrower accounts, respectively. This is only a slight change from the prior distribution of 75 percent for TIVAS and 25 percent for NFPs.

The updated allocation volumes will continue to increase every servicer's overall volume and will continue to increase the portion of the overall Department portfolio serviced by NFPs. At the same time, it ensures that the pace of growth is measured to minimize risk to borrowers and taxpayers. For smaller servicers under NFP contracts, portfolio increases will be quite dramatic. For example, servicers with a current portfolio of approximately 100,000 accounts will each receive about 50,000 new accounts over the allocation period. The increase in accounts is equal to half the size of their current portfolios.

4. NFPs like GSMR need sufficient information regarding future loan allocations in order to determine how best to serve student borrowers and parents. What additional details can you provide surrounding the timeline for the rebidding of federal student loan servicing contracts?

The Department plans to begin a new acquisition for student loan servicing in early 2016, with awards planned for later that year. We expect the full transition of all borrower accounts from the existing contracts to those awarded under the new acquisition to begin no later than early 2017 and take several years to complete.

**Post-Hearing Questions for the Record
Submitted to the Honorable Theodore R. Mitchell
From Senator Ron Johnson**

“A Review of the Department of Education and Student Achievement”

September 30, 2015

1. What do you believe to be the primary factor driving the increase in college tuition and other costs?

The single largest factor in increased college tuition costs for most students and families is the significant reduction in State spending on higher education. Nationwide, states are spending 20 percent less on higher education than they did 10 years ago (in real terms). Forty-five states are spending less on higher education than they were before the recession and 47 states are spending less per student than they were prior to the recession. Given that more than 7 in 10 college students are enrolled at public institutions of higher education, this has resulted in a cost shift onto students and families that is unsustainable.

2. In your opinion, what role has declining state government spending on public postsecondary assistance played in increasing college costs?

The decline in State spending has played a very significant role in increasing college costs. While states faced challenging budget climates during the recession, investment in higher education is also a question of priorities, and too many states are electing to cut higher education funding, effectively pushing those costs onto students and their families.

3. Do you have data or figures to show declining state government support for higher education over time, nationally or by state? If so, please provide it to the Committee.

The State Higher Education Executive Officers' (SHEEO) annual State Higher Education Finance report provides key data elements for, and analysis of, state and local funding for higher education, annually and historically. The group's most recent report can be found here: <http://www.sheeo.org/projects/shef-%E2%80%94-state-higher-education-finance>.

4. How can we accurately assess the level of demand and supply at postsecondary institutions, including both the number of institutions as well as spaces and student enrollments at existing universities? Please provide any relevant data about changes in trends in supply and space at postsecondary institutions over the past 30 years.

Students' enrollment in higher education expanded dramatically between 2008 and 2011, as the recession hit and employment opportunities for those without a college education declined. Since then, however, enrollment has begun to diminish. Still, enrollment in 2014 was nearly 15 percent higher than a decade earlier, according to the SHEEO report cited above.

5. What do you believe are the best existing metrics to measure outcomes at postsecondary institutions? Do you support or recommend any additional metrics or outcome measures that should be used to assess student achievement?

Today, nearly half of all students who begin college do not graduate within six years, and the consequences of taking on debt but never receiving a meaningful degree can be severe. Students who borrow for college but never graduate are three times more likely to default, while college graduates with a bachelor's degree typically earn 66 percent more than those with only a high school diploma, and are also far less likely to face unemployment. Therefore, it is critical to look at a range of student outcomes, including completion rates that help predict students' odds of success, repayment rates that demonstrate whether former students are able to repay their loans, and earnings measures that depict the ability of former students to find well-paying jobs, among others. These and other outcomes measures were included on the recently published College Scorecard, available at collegescorecard.ed.gov. We plan to continue to improve these and other metrics over time, for example to include transfer students and part time students in completion metrics and disaggregate earning information by program within an institution.

